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Monday September 18 1989

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World News

South African World Bank moderate picked for reform post

President F.W. de Klerk of South Africa appointed a close political ally and inoderate to the Cabinet post responsible for constitutional reform. The announcement that Gerrit Viljoen, formerly Minister for Black Education, would be Minister of Constitutional Development was the only important shift in the composition of the new President's Cabinet. Page 4

Mandela conjecture The Bush Administration expects South African President F.W. de Klerk to release jailed black nationalist leader Nelson Mandela and end the country's state of emergency. Newsweek magazine reported.

Superpower talks The US and Soviet Union resume high-level talks today on arms control, human rights and regional issues which may result in agreement on a date for a summit between President Bush and President Gorbachev. Page 4

Mozambique attack Mozambican troops repulsed a rebel raid on Chokwe town in the south of the country and killed five of the attackers, believed part of the Mozambican National resistance.

Carter in Managua Former US President Jimmy Carter arrived in Nicaragua on a fact-finding mission into Nicaragua's electoral process in preparation for next February's elections. Page 4

Iran talks tough Iran would go to war again as a last resort rather than surrender land to Iraq, President Rafsanjani said.

Quayle visits Asia US Vice President Quayle heads to Asia today for a 10-day trip in which he will press allies to work for free trade and more political freedom.

Traffic blocked

54.000 A

ing the second

officials to agree how to appease Italy's truck drivers and transport companies means no goods traffic is likely to move between the two countries. Page 3

Nigerian democracy Nigeria's military Government is poised to pick two civilian political parties to lead Africa's most populous nation back to democracy by 1992.

Hurricane damage **Hurricane Hugo moved across** the Caribbean island of Guade-loupe after destroying an airport control tower, knocking

out electrical power and making 3,000 people homeless.

Arab League talks An Arab League envoy starting a drive to end Lebanon's war held talks in Damascus before heading for Beirut to seek the support of the Christian army chief. Page 4

Gun battle kills 3 Three people were killed and 18 wounded in a gun battle between local Sindhis and

Mohajir immigrants in Hyderabad, southern Pakistan.

Adriatic pact Yugoslavia and Ifaly agreed to work together more closely in ecology, transport, tourism and trade and called for closer collaboration between Mediter-

ranean countries. Colombo offers talks

Sri Lankan Government offered Sinhalese rebels security and protection if they would join a peace conference.

NZ recovery seen New Zealand is polsed to begin a new period of prosperity in 1990 as benefits of five years of wide-ranging economic and financial reform years come to fruition, according to Mr David Caygill. Page 4

Drug mercenaries A self-described British merce nary said he was hired "to eliminate" 25 people in Colombia, including a drug baron.

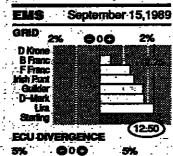
takes more from the Third World

The net transfer of resources to the World Bank from devel oning countries which borrow grew 37 per cent to \$4.8bm in the year to June, according to the organisation's annual

report.
The Bank estimates transfers of resources from developing countries to all lenders grew to about \$50bn in 1988, from \$38bn in the previous year, continuing a deteriorating trend. Page 20

on better than expected US trade figures.

The Bank of Italy was active earlier in the week trying to halt the lira's rise against the D-Mark. The Danish krone remained the weakest member of the system but was still within its maximum diver-



lased on the weakest currency in the system, defines the cross-rates from which no currency (except the lira and Spanish peseta) may move more than 24 per cent. The lower chart gives each currency's divergence from the "central rate" against the Kuropean Currency Unit (BCH), a basket of European

Failure of Italian and Austrian EUROPEAN airlines: The partnership signed last week by Air France and Lufthansa is likely to establish two competing blocks with different strat-egies, one led by British Air-ways, the other by the Franco-German alliance.

> RALSTON Purina, US food manufacturer, is buying the scandal-hit Beech-Nut baby food company from Nestlé of Switzerland for what Wall Street believes is less than

\$100m. Page 25 PEUGEOT: more than 1,000 striking Peugeot workers plan to demonstrate outside the car group's Paris HQ. Page 3

COCOA: talks aimed at reviv-

UK Power: large consumers have told the Energy Secretary they are "horrified" by propos-

KOOR Industries, Israel's biggest industrial group, plans to treat a subsidiary, Tadiran, as a property for sale in its half-year results due this month to reduce the impact

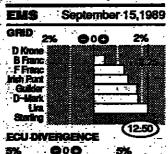
UK economy: the Confedera-tion of British Industry, the employers' organisation, survey indicates no further growth in manufacturing out-

STEMENS: a senior Siemens manager disparages, in a book just published in Europe, the kind of alliances his company formed with GEC to gain control of Piessey this month. He says alliances are often rele-

a report by the UK's Chartered Institute of Management Accountants criticises the manner in which overhead costs are allocated to products. There should be a gradual breakdown in the conceptual barrier between overheads and direct costs, it says. Page 14

By Leslie Colitt in Berlin five years between East and West Germany is in danger of being reversed, as a result of the exodus of thousands of East Germans to the West. The official, who asked not the beared of the control of the terms of t

EUROPEAN Monetary System: Central banks were active selling dollars towards the end of last week as the US unit broke through the DM2.00 level



Link ECU Parity To Day Position

The chart shows the two con-straints on European Monetary System rates. The upper grid,

Page 21 PROTECTIONISM: Carla Hills, the US special trade represen-tative, wound up a six-country European tour claiming to be "more optimistic" the Commu-nity would eschew protection-

ing the moribund international cocoa agreement ended in failure in London after a week of discussions. Page 6

als from the supply industry to limit competition after it is privatised. Page 9

on the group of the unit's heavy losses. Page 25

put next quarter. Page 9

gated to "the last place in cor-porate strategies". Page 14

MANAGEMENT accounting:

East Germany considering 'much tougher' policies

A TOP official in the East German Communist Party has said that the relaxation of travel controls over the past

to be named, told the Financial Times at the weekend that the Government was considering the adoption of a much

tougher" policy.

"There is a groundswell in the Party to hit back hard," he

said, suggesting that East Ger-many could retaliate by abro-gating agreements and inter-fering "for example, with the flow of traffic" between the two countries.

· Such cancellations, however, would be highly unpopular in East Germany, and Bonn could respond by cutting back on vital economic co-operation

with its neighbour. The threat follows East German cancellation of a visit by a delegation of the West German Social Democratic Party (SPD), which had sharply criticised

East Germany for refusing to carry out political reforms. The official charged that Hongary had become Bonn's "willing tool" for allowing East Germans to flee through its territory. "For that, they got DM500m (\$252.5m) from West Germany," he said, referring to a loan last week from West German banks, half of which was guaranteed by the Bonn Government. The banks said it had been under negotiation for had been under negotiation for

months.

Mr Erich Honecker, 77, the
East German Party's ailing

leader, could be succeeded by Mr Egon Krenz, 50, the Politburo member in charge of security, the official indicated. Unlike some of his rivals, Mr

Krenz was "very firm."
The official blamed Soviet
President Mikhail Gorbachev. who is to attend celebrations on October 7 to mark East Ger-many's 40th anniversary, for the "chaos" in the Soviet Union and predicted he might not last long in office. "Under no circumstances are

we going to make similar mis-takes," he said, rejecting both

Soviet and Western-style rabbits across the border."
reforms. "We will continue on New Forum was not ca our successful GDR path to socialism, making changes when necessary."
One change which was not

necessary, he indicated, was a dialogue with newly-forming opposition groups. But Dr Jens Reich, a cofounder of the New Forum opposition movement set up last week in East Berlin, said East Germany needed a "con-structive Soviet-style dialogue" or people would demonstrate in the streets and flee "like

New Forum was not calling on the Party to give up power or its leading role, he said. "We only want the Party to seek a dialogue with the population,

However, the likelihood of such a dialogue taking place in the near future seems remote.
The Party official commented scathingly on the conciliatory offer: "We know these groups well. They are riddled through with people working under cover for the other side." Editorial comment, Page 18

Banks abandon plan for EC's first full cross-border merger

By Tim Dickson in Brussels

PLANS have been abandoned for Europe's first full cross-bor-der banking merger between Belgium's biggest bank, Génér-ale de Banque, and Amsterdam Rotterdam Bank (Amro) of the

Netherlands. An announcement that the two groups will now aim for more limited co-operation - as well as confirmation that the mutual stakes in each other's businesses of 9.9 per cent are to be reduced – will be made by the two chairmen at a press conference in Amsterdam

today. The development will not come as a complete surprise in banking circles where the ambitious marriage plans have long been viewed with scepti-

The proposals were amounced at the height of the bold, but ultimately unsuccess-ful, takeover attempt by Mr Carlo De Benedetti, the Italian businessman, for Société Générale de Belgique, the biggest Belgian holding company and a key 13 per cent shareholder in Générale de Banque, The collapse of the merger attempt will nevertheless be seen as illustrating the huge

led if Europe is to become a truly integrated market place The precise reasons for the year stood at Ecu125.9bn.

EC member states are likely to

take a big step today towards giving the Brussels Commis-

sion the formal right to vet

large cross-border mergers

The French Government,

which wants merger controls agreed before its presidency of

the EC ends in December, has

tabled a new compromise for-

At today's meeting of EC

industry ministers, it will be attempting to bridge differ-

ences over where the dividing line should be drawn between

Commission and national com-

petence over mergers and what criteria Brussels should use to

The overall aim of the long-deadlocked scheme is to remove overlap between anti-trust powers wielded by the Commission and member-

states, and so create a "one-stop shop" for companies seek-

ng clearance for a merger.

It is not intended to repre-

sent any tightening or loosening of Community competition

policy.
Paris, however, has inserted

into its new plan a potentially

controversial measure to allow

the Community to exert pres-

sure on non-EC countries

which restrict takeovers by

judge mergers.

between companies.

banks' change of direction are expected to be spelt out today, although it has been no secret that different company law, and fiscal and regulatory tradi-tions in Belgium and the Netherlands have proved major stumbling blocks in the detailed negotiations which have taken place over the past

18 months. Recently, union resistance has surfaced in the Netherlands as signs of possible job cuts started to emerge.

As a first step the proposed "alliance" – announced in February 1988 – consisted of the two sides taking just under 10 per cent in each other's capital, with warrants to boost them to 25 per cent, as well as an agree-ment to co-ordinate their international activities. The final aim – to be achieved within an agreed three-year "engagement" period – was to set up a fully-integrated multinational banking group with a single chairman, a single executive committee and a single balance

Only last month the two banks announced that "in the absence of legal requirements and in the anticipation of the cles which remain to be tack-led if Europe is to become a truly integrated market place and their combined balance sheet total at the end of last

Brussels power to vet big deals

Commission to enter into neen-

tlations with third countries if

they do not give EC-based

enterprises the same anti-trust

treatment that companies from

those third countries get when

launching bids or mergers in

stir foreign fears over EC pro-tectionism and for that reason

does not please some of its EC

But a precedent for such reciprocity now exists in EC bank-

ing legislation to which all 12 EC states and the Commission,

Discussion today will revolve around three key points:

Threshold. Under the French proposal, the Commission would have prior vetting

rights over any merger involv-ing companies with a com-

bined turnover of more than

Ecu5bn (\$5.2bn) worldwide, more than Ecu250m of that

turnover within the Commu-

nity, and not more than two-thirds of that turnover within

This is a substantially higher threshold for EC scrutiny of

mergers than Brussels had

originally wanted, and accords with the wishes of countries

such as the UK and West Ger-

many with well-developed national competition policies.

The issue of reviewing the

after a long wrangle, agreed.

partners, notably Britain.

France's proposal may well

By David Buchan in Brussels and William Dawkins in Paris

Despite the frequently repeated rhetoric from both camps about turning two medium sized banks into a major unit better able to withstand international competition – the combined entity would rank sixth in Europe and 18th in the world – it has been clear for some months that the full merger plan was proving too ambitious.

Analysis believe, for example, that the earlier-than-anticipated retirement last year of Count Eric de Villegas, Banque Générale's chairman and an enthusiastic proponent of the alliance, was a crucial turning

Baron Paul Emmanuel Janssen, his successor, has been noticeably cooler about the prospects of success, announcing to some consternation in Belgian banking and financial circles in February this year that the merger ultimately only stood a 50-50 chance of being signed.
The influence of Compagnie

threshold in four years' time is

likely to remain in contention.

for agreement that the turn-over trigger for EC scrutiny of

a merger should be automati-cally lowered to Ecu2bn after a

transitional period ending in

1992-3, while some members

argue against prejudging any reduction in the threshold.

Criteria. Britain, West Ger-

many and the Commission.

spurred on by Sir Leon Brittan.

the competition commissioner, appear to have successfully held out for Brussels to judge

mergers on competition grounds alone.

formula presented by France, which along with Spain had argued earlier for industrial, regional and social policy fac-

tors to be taken into account.

Procedure. Some countries, particularly Germany, still

appear to want to retain the right to intervene in certain

mergers above any agreed threshold, even if they get a green light from Brussels.

By contrast, smaller mem-

ber states plus Italy - which

do not have national competi-tion authorities – argue that

the Commission should be able

to act in other mergers whose size falls below the trigger

point for Brussels vetting.

This is reflected in the new

The Commission is still keen

Financière de Suez, victor in the takeover battle with Mr De Benedetti, is also thought by many to be relevant. It has viewed with disfavour an arrangement between Générale de Banque and Amro which many suspect was somewhat hastily entered into as a "poi-son pill" to foil the Italian busi-French compromise would give

Sir Derek Alun-Jones: talk of

Ferranti managers fear for ownership

By Terry Dodsworth and David White in London

Continued on Page 20

Cairo today at the invitation of

TOP management of Ferranti International Signal believe that the company will be forced to lose some or all of its independence because of recently discovered losses of up to £150m (\$234m) on dubi-

ous overseas contracts.

The losses, which came to amount to the value of virtually all the assets in ICS Technically all the assets in ICS Technically nologies Ltd., a UK company acquired as part of Ferranti's merger with the US-based International Signal and Control in 1987. The contracts in question include a large-scale missile project that ICS was said to have won in Pakistan. According to executives close to Ferranti, all or most of the work in progress and debtors listed in ICS Technologies Ltd's accounts at the time of the merger may not have

Rabin trip brings new pressure for Mideast accord By Hugh Carnegy in Jerusalem

MR Yitzhak Rabin, Israel's Defence Minister, is to fly to Egyptian President Hosni Mubarak. His visit is the most dramatic development yet in Egypt's efforts to bring Pales-tinians and Israelis together

The Egyptians clearly regard Mr Rabin, who is expected to return home tonight, as a key to unlocking the peace process. The Israeli coalition Government remains deeply divided over how to respond to Egypover now to respond to Egyptian proposals for getting nego-tiations started. In a pointed gesture, ministers from the hardline Likud party of Mr Yit-zhak Shamir, Prime Minister, yesterday unanimously rejected Egyptian proposals.

rejected Egyptian proposals. At the same time the Pales-tine Liberation Organisation and its supporters in the Israeli-occupied West Bank and Gaza Strip have not given their unqualified go-ahead to Cairo's

Mr Rabin has been reviled in the Arab camp for his uncom-promising suppression of the 22-month-old Palestinian upris-ing, or Intifada, in the occupied territories which continues to claim Arab lives almost daily. But he has been committed cal solution to the conflict. As the Labour Party minister most trusted by Mr Shamir, he was instrumental in pushing the Premier into offering an Israeli peace plan earlier this year based on elections in the territories leading to a form of Palestinian self-government. When the Israeli initiative

failed to win Palestinian accep-

tance, Egypt stepped in with a

10-point proposal aimed at bridging the gap. The intention

is to convene talks in Cairo in which the Palestinian side would have as its starting point the Egyptian proposals and the Israeli side would present the coalition's initiative. An early breakthrough seems unlikely, however, because there are still large

obstacles in the shape of the composition of the proposed Palestinian delegation and the substance of the Egyptian pro-Mr Rabin and the Labour Party have accepted an Egyptian suggestion that the Pales tinian team include intifada activists previously expelled from the occupied territories by Israel. They also agree to the key points that negotiations should proceed on the premise that any settlement be based on Israel exchanging ter-

ritory for peace, and that elec-tions should include Arabs living in Jerusalem. Mr Shamir and Likud reject all these points. Accordingly, the coalition has been unable to adopt a formal response to the Egyptian proposals, put-ting off further consideration of them until Mr Shimon Peres, the Labour leader, and Mr Moshe Arens, the Likud

Foreign Minister, return from trips to the US. It may be that the issue cannot be pushed forward without forcing a break-up of the Likud-Labour partnership. But there are complicating factors on the Palestinian side as well Mr Yassir Arafat, the PLO chairman, has twice been in Cairo in recent days amid clear signs that the PLO is unhappy that the Egyptian proposals do not specify key demands such as the right to Palestinian self-determination.

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companies based in the Community. This would permit the CONTENTS



Foreign Minister, is

Parts: Peugeot combatants dig in as strike Rome: Italy's Foreign Minister warns of BNL Telecom advances: Brussels presses reforms to give EC more competitive tone Editorial comment: Nationalism in the Soviet Union: Rethinking the Channel link Base metals markets: The coming scramble Brussels: Carla Hills reassured over high-tech

Less Taking the magic out of profits; private investors; MGM/UA __ 20 -Wall Street ____ 41-43 40 Lex ... ___ 40 Lombard _ -London --8-9 Editorial Comment 18 Management ... UK Gitts ---Monday Page .. 25 International bonds US Boads .--Money Markets 40 28 Financial Diary 18 Unit Trusts ____ 17 Inti.Capital Markets . 22,24 Observer ___

THE MONDAY INTERVIEW Gyula Horn (left), Hun-

one EC state.



Companies

Appointments:

gary's reform-minded the man who let the East Germans go. A month ago, he was a relatively unknown quantity. Now he looks certain to win a seat in his country's first free elections since 1947.

impact on iraq ties to buy up mines investment in Europe

WORKERS PLAN TO DEMONSTRATE TODAY OUTSIDE CAR GROUP'S PARIS HQ

Peugeot combatants dig in as strike continues

By William Dawkins in Paris

MORE than 1,000 striking Peugeot workers and union this morning outside the car group's Paris headquarters, in the worst industrial dispute to hit Europe's third largest car

The demonstrators, from Peugeot's two biggest car assembly plants in Sochaux and Mulhouse, north-east France, will be calling on Mr Jacques Calvet, group chair-man, for negotiations over a wage claim which the company's management reckons is worth around 30 per cent,

unacceptably high.

Both sides seemed intransigent at the weekend in the bitter 13-day-old dispute. Unions have called for the resignation of Mr Calvet. He has coolly replied that most staff still supreplied that most start still sup-port his aim of trimming costs and investing heavily to fulfil his plan of lifting PSA, the group which owns Peugeot and Citroen, from Europe's third

largest car company to its first. A former president of Banque Nationale de Paris, he joined Peugeot in 1984 and instituted a tough job- and cost-cutting plan to save the group from near collapse. The upshot is seen by many as an outstanding success, but on the way, it caused riots outside Peugeot's plant in Poissy, near Paris. So he is hardly likely to be rattled this time.

The dispute has already begun to take political significance, drawing a stern warn-ing from Mr Roger Fauroux, Industry Minister, in the weekend press, that "there is every-thing to fear from an uncon-trolled growth in salaries". He added: "That would be dangerous. Everybody would lose, including the workers."
It could hardly have come at

a worst time for Peugeot, in the week when it unveiled at the Frankfurt motor show its long awaited, top-of-the-range 605, the volume car producer's first serious attempt to chal-lenge BMW and Mercedes in

the executive car market.

By the end of last week, Sochaux, production centre for the 605, had nearly closed,leav-ing Peugeot with a stock of just 4,000 of the new models. It is just enough to satisfy the first orders, due for delivery early next month, but with the prospect of an embarrassing gap after that, say industry

Peugeot management reckons that so far, the Sochaux

site is 4,000 cars behind schedule - including 605s and other models - while the Mulhouse plant has lost 10,000 units, mostly the popular 205.

Only a minority of staff are officially on strike in both plants, up to 2,000 out of the 12,000 at Mulhouse, not counting non-striking sympathisers, and perhaps half that among the 24,000 employed at Sochaux, according to management. Union estimates are much higher.

Whatever the actual number, Peugeot executives ruefully point out that the impact they have made illustrates the risks of using Japanese-inspired just-in-time stock controls, where inventories are kept to almost nothing, so that a hold-up in one department has an immediate affect all the way down the rest of the production line.

Analysts reckon Peugeot is efficient enough to make up any shortfall in market share Even so, this comes after an August when Peugeot lost 7.7 percentage points, repre-senting 4,600 vehicles, of its French market share – down to 19.7 per cent according to the industry's latest returns because its production was



Calvet: in response to demands for his resignation he retorts that most staff still back his plan to trim costs

mable to cope with demand. This month's decline in VAT on French cars, from 28 per cent to 25 per cent, offered a chance to make good, now jeopardised. Yesterday evening, both

sides seemed no nearer to agreement than when the con-flict started. What is so surprising is that industrial relations in Alsace, the home of both plants, are reputed to be placid. It is a prosperous area, near the West German border, where unemployment is among

the lowest in France. Mr Calvet estimates that the current year's offers are worth on average 4.4 per cent, including performance bonuses, indi-

The unions reply that this is inadequate reward for their part in turning Peugeot from a disaster five years ago, when it lost FFr341m (£33m), into one of the big contributors to the current success of Europe's motor industry, able to report a FFr8.85bn net profit last

Moreover, they have for long felt uneasy about being paid generally less than their coleagues at state-owned Renault. The sacrifice was just about possible to stomach when Peugeot was in trouble in the early 1980s, but much less so now, when the group is well into recovery.

Rome warns of BNL impact on delicate ties with Iraq

billions of dollars of unauthorised Iraqi export credits extended by the Atlanta, Geor-gia, branch of Banca Nazionala del Lavoro (BNL) risks compli-cating Rome's bilateral rapport

with Baghdad.

Mr. Gianut De Michelis, in his first statement on the BNL affair, said the banking scandal had added "a new and thorny dossier" to Italy's delicate relations with I say He said that tions with Iraq. He said that economic ties between would be examined before the yearbe examined before the year-end by a joint commission.

Iraq is insisting that BNL's
Atlanta branch, which has
already disbursed \$1.55bm of
Iraqi export credits out of a
total of \$5m committed, hand
over the remaining promised

funds. These are \$550m of unused credits that were confirmed and a further \$600mplus of unconfirmed credits. Concern has been growing in banking circles and among Italian government officials that Baghdad might make the payment of a total of up to \$40n of outstanding debt owed

to Italian companies condi-tional on the receipt of the \$1.15bn of unused and Atlan-ta-generated BNL credits. Mr De Michelis did not make any direct reference to Iraq's

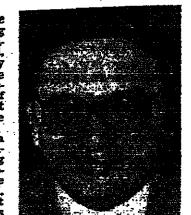
ITALY'S Foreign Minister, Mr demands that BNL pay out the Gianni De Michelis, has warned that the scandal over billions of deliant containing money, stressing instead the need to find a containing of deliant containing money. remaining money, stressing instead the need "to find a constructive solution". He did, however, add rather opaquely that "at the same time we [Italy] should not be transformed into the instrument of Middle East initiatives about which we already have precise

The BNL affair took on a more domestic political complexion with several leading Socialist and Christian Democrat politicians opposing the suggestion by Mr Gnido Carli, the Treasury minister, that BNL and other state banks should be privatised.

Lobbyists for Italian big industry have been using the BNL affair as a lever to push through privatisation plans that would see individual companies buying stakes in banks The BNL affair took on a

that would see individual companies buying stakes in banks rather than offering bank shares publicly on the stock exchange. The Bank of Italy is opposed to hig industry buying control of banks because of the danger of a conflict of interest. At the weekend two board members of the Flat group pressed ahead with the campaign to allow private sector capital to buy into state banks. Mr Cesare Romiti, Flat's chief executive, said that Italy's banks, having been less

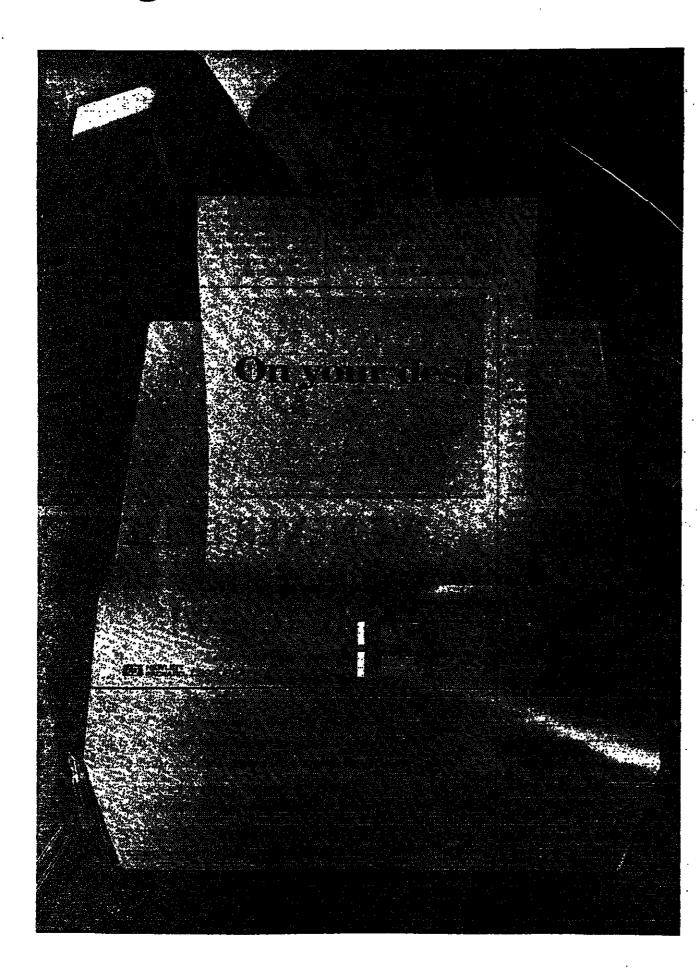
Italy's banks, having been less exposed to international com-



etition than industry, were less efficient and the BNL affair was an example of this lack of internal controls and

efficiency. Mr Mario Monti, another Fiat board director, a promi-nent economist and vice presi-dent of the state-owned Banca Commerciale Italiana, repeated his views that industry should be allowed to buy into banks. Mr Monti suggested that a group of industrial concerns, each owning up to 20 per cent of a bank, might take joint control of banks.

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Peace hopes for Angola in balance

African leaders meet again today to revive hopes of peace in Angola, but the man who holds the key to an agreement has said he probably will not turn up, Reuter reports from

Parage.

Or Jonas Savimbi of Unita said at his rebeil headquarters in south-east Angola that his movement was likely to stay away from the one-day summit in Kinshasa, Zaire.

Diplomats say he is under the property and the same attend from

heavy pressure to attend from his main backers, the US and South Africa, and may have to swallow his pride and come.

swallow his pride and come.

A ceasefire sealed by Dr Savimbi and President Jose Eduardo dos Santos of Angola on June 22 collapsed, leading to renewed fighting. The Angolan goal is to get Dr Savimbi to sign a political agreement and plan for monitoring a ceasefire.

France sends aid to Caribbean

The French Government is sending food, medicine, medi-cal equipment and temporary housing to the eastern Carib-bean island of Guadeloupe, hit by a strong hurricane at the weekend, Canute James writes

from Barbados.
Officials on the neighbouring
French island of Martinique
say communications and power supplies on Guadeloupe have been disrupted by the storm, hundreds of buildings left without reofs and about

3,000 people made homeless.
Winds close to the eye of the
storm, named Hugo, have been
measured at 140 miles per hour. Several islands in the northeastern Caribbean have been affected by the winds and heavy rain which have destroyed sea defences and caused flooding. Hurricane Hugo was moving

just west of north west through the archipelago last night and is expected to hit Puerto Rico later today.

Sri Lanka talks offer to rebels

The Sri Lankan Government, after the island's worst week of

after the island's worst week of violence in months, yesterday offered Sinhalese rebels security and protection if they would join a peace conference. Reacting to a week when 350 people were killed and 200 buildings set on fire, the Government said it was eager to ensure the participation in an all-party conference of the People's Liberation Front (JVP) and all other groups outside and all other groups outside mainstream politics,

SHIPPING REPORT Demand for tankers lifts rates

By Nick Garnett GENERAL demand for tankers improved last week and in some cases resulted in modest improvements in rate levels, according to Galbraith's, the

ship brokers. Trade in and around the Arabian Gulf was particularly buoyant. Even though rates edged upwards, charterers were still able to get business at below Worldscale 50. The Far East showed a slight

premium for the smaller sized VLCCs (very large crude carriers). Japanese charterers paid about Worldscale 53. Tanker owners operating

from the Mediterranean raised A typical voyage from the east Mediterranean to the US was in excess of Worldscale 50, with some owners asking just

below Worldscale 60. West Africa was exception with rates falling last week. This was because many ships ballasted to this area when the market was

buoyant a few weeks ago. Most charterers took business at below last week's rates, with Worldscale 72.5 being paid for a 130,000-ton vessel to the US.

However, demand out of West Africa did improve a little, according to shipbrokers EA Gibson. Overall, large product carriers experienced a mixed week, the company said.
Rates for the dry cargo
market fell last week, according to Galbraith's. It says, however, that the opinion of the market is that this will

not last long.

In the Atlantic time-charter market, rates were down to about \$11,000 per day for good Panamax types, with some ships willing to accept under \$10,500 a day.

FINANCIAL TIMES

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DM 625,000,000

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In accordance with § 2-(8) of the Terms and Conditions of the Notes, note is hereby given that the Rate of Interest has been fixed at 7%% p. a. for the Interest Period September 18, 1989 to March 19, 1990 (182 days). Interest accrued for this Interest Period and payable on March 19, 1990 will amount to DM 385.49 per DM 10,000 principal amount.

September, 1989

J.P. Morgan GmbH Frankfurt am Main

Quentin Peel looks ahead to tomorrow's Central Committee meeting in Moscow on the structure of the Soviet Union

Nationalists have been taking to Soviet empire. the streets on every side, in ever larger numbers, openly demanding outright secession from the Soviet Union: in the Baltic republics, in Moldavia, Georgia, Armenia and most recently in the Shia Mushim strenghold of Azerbaijan.

Perhaps more ominous still, the most minor, strike in July servalled.

mass miners' strike in July signalled the start of a spreading working-class rebellion, predominantly Russian but drawing support from all sides, demanding simultaneously both more radical reforms — and fewer of them.

In Poland, and to a lesser extent Hungary, the erosion of power of the Communist Party has sent tremors through the creaking structures of the socialist world

the socialist world.

And while the cat, in the shape of Mr Mikhail Gorbachev, took his annual summer break by the Black Sea, the conservative mice in his Politburo, led by Mr Yegor Ligachev, took the annual opportunity to play at ideological backshiding at home.

Now the moment of truth has some Tomornow the ruling Central

come. Tomorrow the ruling Central Committee of the Soviet Communist Party holds its long-awaited, long-Committee of the Soviet Communist
Party holds its long awaited, longpostponed plenary meeting on the
agonising questions of national relaagonising questions of national rela-

S UMMERTIME has been a field tions and the whole federal structure of the Soviet Union: questions that in the Soviet Union. of the Soviet Union: questions that affect the very foundations of the

So can Mr Gorbachev, towering as he still does above the other members of the Soviet leadership, hold it together in the face of so much upheaval? Could this be the begin-ning of the end for him and for perestrolka, with all the conserva-tive forces in the ruling party unit-ing to resist further change, and pro-tect their own positions, as they did in 1964 in overthrowing Mr Nikita Khrushchev?

Or will the Soviet leader himself launch a counter-coup, and finally purge the Polithuro of those dissi-dent voices which profess total loy-alty to perestrolka but preach an unreconstructed gospel of rigid party discipline and central control: the voices of Mr Ligachev, Mr Viktor Chebrikov; the former boss of the KGB, and Mr Vladimir Shcherbitsky, the party chief in Ukraine?

Moscow is awash with rumours,

yet the truth is that the light of glasnost has still not shone on the workings of the riding party, and it is virtually impossible to tell whether anything so sensational is



Estonians protesting last month at the 1939 German-Soviet pact which gave Moscow control of Estonia, Latvia and Lithuania

through a Central Committee which still has a conservative majority, that may well not be the most impor-

tant test tomorrow. The real challenge is the one fac-ing the Communist Party as a whole. Can that great monolith, after 70 years of unchallenged power, prove that it is capable of debating and resolving a deeply divisive question, and thus remain what it claims to be: the vanguard of society and of perestroika?
The leadership has produced a

worthy document, for once attempting to analyse the background in reasonably realistic terms, believing previous policy prescriptions have been ambiguous and uninspired This has disappointed the Estonians, Lithuanians, Georgians and

others who want the maximum devolution of power from Moscow – in effect to move towards confederation, if not outright independence. But at the same time, it does admit many of the most glaring fall-ures of the Soviet regime to date:

never before had any mechanism,
public planning process or the like,

how the Kremlin has been riding roughshod over national sensibilities in its industrial policy, destroying the environment, and often forcing people to migrate in large numbers.

Indifference to the peoples' identity, and the fact that many social issues were left unresolved, echoed painfully in the peoples' conscious-ness and spread resentment, which was often taken advantage of to whip up tensions and fuel nationalist extremism," the document says.

Mr Gorbachev says the answer is a transformation of the Soviet federation", devolution of economic authority, and of budgetary power, to the republics and regional soviets. But that still begs questions.

The party document still leans in

favour of the centre and against the republics. "If a union law transcends the powers of the Union, the republics will be within their rights to raise the question of its repeal," it says. On the other hand, "a republican law must be revoked if it goes beyond the republic's terms of reference.

Who will own property and min-eral rights: the republic, or central government ministries? Can the republics veto central government in embarking on industrial development which may damage the local environment? The Soviet Union has

to resolve such disputes. Faced with an upsurge in nationalist sympathies, the Communist Party organisations in the republics have been desperately attempting to find a few nationalist clothes to cover their nakedness.

Mr Gorbachev needs the support of those outlying parties for his entire reform programme: they are the essential counterbalance to the conservatives. So he must make enough concessions to keep them happy, but not enough to unite Russian nationalists in opposition.

So far he seems to have been remarkably successful in keeping the old guard off balance. Indeed, poor Mr Ligachev found himself bundled off to East Germany for four days last week, looking more like the recipient of a snub than a self-confident erstwhile plotter.

But tomorrow is certain to see much agonising from all sides about the whole sorry state of the party. and deep misgivings about how far it can afford to make more concessions to the rising tide of nationalism without abdicating its authority.

For to remain relevant, the party will have to make itself far more of a federal structure and send back much of its own power to the prov-inces, a process which it has barely begun to contemplate. Editorial comment, Page 20

Washington's ways impress the visitors from Moscow

By Nancy Dunne in Washington

week, little noticed as the glare of the media spotlight focused on Mr Boris Yeltsin, the former Moscow party leader.

Demand

tanken

lifts rate

- 20

Three delegates from the USSR Supreme Soviet, given responsibility to design rules, parliamentary procedures, committee and staff work and organs of government, enthusiastically lauded the virtues of American governmental insti-tutions and said they had found much they want to adopt for the Soviet system.

Mr Konstantin Luben-chenko, head of the stymemchenko, head of the strinember delegation, introduced himself as one "of the first generation of Soviet congressmen" and compared the current Soviet reform process with early American history.

"It is very important for us to see how the government is able to represent the interests of many different groups of the population, how the Congress now seemed to have developed fights for improving the life of "a superiority complex". If

By John Wyles in Rome

NO GOODS traffic is expected

to move by road between Italy and Austria today, following the failure of a political agree-

ment between the two countries to appease Italian truck drivers and transport compa-

They were adamant at the

weekend that the dispute-

would move into its second

week tomorrow. They are

counting on a growing com-mercial paralysis giving them the upper hand with both gov-

An estimated 15,000 trucks are now blocking the north-bound autostrada approach to the Brenner Pass. Other

customs posts are similarly

SOVIET political reformers the electors in their election they didn't study events in the questly concluded a three-week district," he said.

Soviet Union, Japan and West-union washington last. Ironically, one of the institudistrict," he said.
Ironically, one of the institu-tions which most impressed Soviet Union, Japan and West-ern Europe, the US might fall behind, he said.

him was one which in recent years has lost its lustre in the The delegates mostly maryears has lost its lustre in the eyes of many in Congress — the filibuster, frequently used to kill progressive legislation. Mr Lubenchenko proclaimed this "a guarantee against the dictatorship of the majority". Astonishing their hosts with references to God, "red propaganda" and their own "ridiculous, parasitic system," the delegates talked — stopping occasionally to argue noints veled over what they saw. Mr Lubenchenko said they would seek to buy American technology to set the kind of electronic voting system they saw in Congress to speed the process and allow the introduction

They said many of their mis-apprehensions about the US had been set straight. Supreme Court Justice Antonin Scalia occasionally to argue points rejected an assertion by the chairman of the Soviet Supreme Court that the jury system was going out of use in the US. "When we return, we will aim to establish jury tri-als," said Mr Fyodorov.

The trin greecored in the US. among themselves - about the need to establish a system of free market competition and

The trip, sponsored in the US by the International Foundation, a US philanthropic group, is just the first of several factfinding missions. The group plans to continue its studies in the UK and other Western

an additional 30,000-40,000 tran-

sit permits above the 225,000 allocated to Italy this year.

and Hallan transport ministers on Friday offered few conces-sions to the truck operators.

Austria agreed to release the

remaining 31,000 transit per-

mits still outstanding for this year and hinted that it might

Italy was seen to make deter-mined efforts to switch traffic

The Austrians want a con-

siderable strengthening of the Verona-Munich rail service, which transports goods trailers on special trains. Unfortu-

nately, the Italian state railway

has neither the rolling stock

from road to rail.

ake a few more available if

A meeting between Austrian

US-Soviet talks may settle date for summit

By Lionel Barber in Washington

THE US and Soviet Union resume high-level talks today on arms control, human rights and regional issues. They may result in an agreement on a date for a summit between President George Bush and President Mikhail Gorbachev.

At Moscow's request, Mr Bush is due to meet Mr Eduard Shevardnadze, the Soviet For-eign Minister, in the Oval Office on Thursday. US officials have been warned that Mr Shevardnadze will bring an important letter from Mr Gorbachev, but the Soviets have so far declined to provide details. The Bush administration expects the week's meetings to produce an outline accord on exchange of information on chemical weapons and plans for mutual inspection of chemical arms plants. Officials also hope to agree in principle on monitoring underground nuclear tests of less than 150

These agreements are likely to be concluded later this week when working groups move from Washington to Jackson Hole, Wyoming, where Mr James Baker, US Secretary of State, has a ranch. Mr Baker plans to mix barbecues and fishing with discussions on issues ranging from strategic arms to Afghanistan, Nicaragua, narcotics, environmental and other "transnational"

The superpower talks comes amid rapid — and highly unpredictable — change in the Soviet Union and Eastern Europe. Mr Lawrence Eagleburger, deputy US Secretary of State, last week said that despite its risks, the Cold War was characterised by stability and predictability among the great powers, and warned of the danger that change in the East will prove too destabilising to be sustained".

The US has been noticeably

restrained in its commentary both on the upheavals in the Soviet Baltic and the Caucasus, and on the recent flow of East German refugees from Hungary to the West.

Ukrainians march in support of church

By A Correspondent

NBARLY 100,000 people marched yesterday through the Ukrainian city of Lvov, demanding that Moscow re-instate the banned Ukrainian uniate - or Catholic - church on the 40th anniversary of the occupation of the western Ukraine.

The demonstration was the latest in a series of rallies on the eve of a vital central committee plenum which the Communist Party hopes will "har-monise" the country's increasingly bitter inter-ethnic relations.

The Supreme Soviet in the republic of Azerbaijan on Sat-urday convened a special session, calling on Moscow to repeal the "special status" of Nagorno-Karabakh, the small enclave where an Armenian majority lived under Azerbaijan's jurisdiction until Moscow imposed military rule on the

region in January. Armenia was last night expected to reject the Azerbaijani demand, saying the Azerbaijanis would keep discrimi-nating against Armenians if

the Russians pulled out.

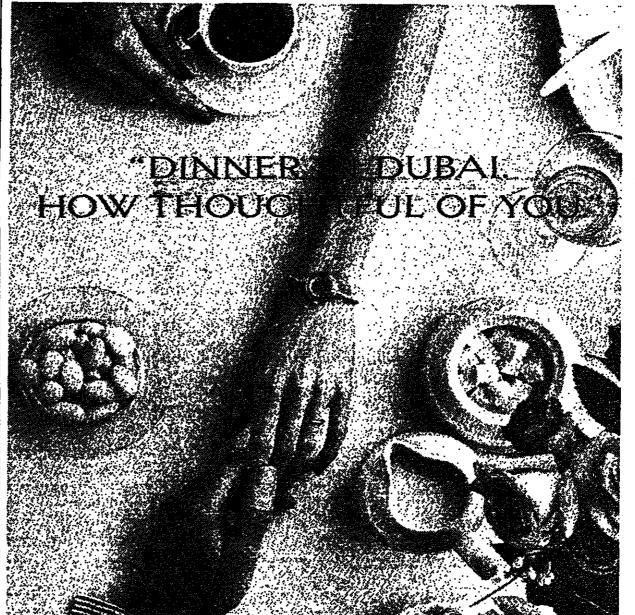
Much of the recent wave of activity has arisen from the pressure of Mr Gorbachev's own reform program. The Azerbaijani party organisation is desperate to regain its prestige before local elections in the spring.

However, other groups seem outraged by the Soviet Union's annarent increasing ungovern-

On Saturday, several thou-sand Ukrainian conservatives gathered in Kiev's central stadium to press fellow citizens to take an "internationalist" approach to ethnic tension.

His offer of dinner

was generous. But the



NOTHING, DARLING."

closed to goods traffic, and the protesters are preventing the entry of are demanding the abolition of nor the special engines needed this restriction, together with to play its part. Portugal plans privatisation law

THE Portuguese government will present a new privatisa-tion law to parliament this autumn to speed its sale of state assets.

Announcing the move, Mr

Anibal Cavaco Silva, the Prime Minister, said the re-privatisa-tion programme was vital for improving the efficiency and competitiveness of the Portuguese economy.

However, restrictions imposed on foreign acquisi-tions of privatised shares would be maintained. At the moment, this limits foreign

holdings in privatised companies to 10 per cent. It is not clear whether the new law will

Trucks block Austria-Italy roads

Austrian trucks into Italy.

Northbound tourist traffic across the border has been

reduced to an agonising crawl.

Many Austrians returning

home reported taking four hours for the final 30 miles to

It is still far from clear why

the dispute suddenly erupted last week. Some Italian news-

papers see it as a deliberate strike by big Italian transport companies and small owner-

operators against Austrian transport policy.

This is becoming increasingly environment-conscious, to the extent that driving of heavy trucks between 10pm

and 5am is to be outlawed from

December 1. The Italian drivers

the border post

Mr Cavaco Silva said the law would have the "necessary flexibility" to enable, for the first time, compensation certifiers after 1975's sweeping nationalisations - to be used in the privatisation proces

place. Instead, it offered low-in-terest bonds based on a gov-

issued to former own-The government argued it was not responsible for the nationalisations in the first

ernment valuation of seized assets which ex-shareholders say wildly underestimated their real worth.

De-nationalisation began in

earnest this year with the sale of 49 per cent of Unicer, a brewer, and of Banco Totta e

International demand for pri-vatised Portuguese shares has The recent rapid growth of direct foreign investment in Portugal has brought calls from the opposition for tighter

TAIWAN

The Financial Times proposes to publish this survey

10th October 1989

For a full editorial synopsis and advertisement details, please contact:

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FINANCIAL TIMES

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OVERSEAS NEWS

Viljoen to oversee constitutional reform

SOUTH Africa's President, Mr a new constitution. F.W. de Klerk, has appointed a close political ally and moderate to the cabinet post responsible for constitutional reform.
However, the announcement
at the weekend that Mr Gerrit

Viljoen, formerly minister for black education, would be min-ister of constitutional development was the only important shift in the composition of the new President's Cabinet, in which most senior ministers were confirmed in their posts. Mr Viljoen will lead the Government's efforts to engage black leaders in negotiations aimed at agreeing

A former academic with degrees in classics and law, he was previously head of the Afrikaner secret society, the Broederbond, and is viewed as

a moderate. The remarkable decision last week by Mr de Klerk to allow peaceful protest, legalising two of the largest protest marches in the country's history, is believed to be part of the pro-cess of reaching out to black leaders.

However, the choice of the new Cabinet gave no clear indication of any accelerated com-mitment to political reform on the part of Mr de Klerk. He will begin his term of office this week with a Cabinet whose most prominent mem-bers served in the same posi-tions under his predecessor, Mr

Mr Pik Botha continues as Minister of Foreign Affairs, where he is expected to exert considerable influence over the

The Minister of Law and Order, Mr Adriaan Vlok, who has come under severe criticism from anti-apartheid leaders over allegations of police brutality, also continues in his post, as do the ministers of

finance, defence and justice. In an apparent attempt to widen his political base, Mr de Klerk has appointed two English-speakers to the cabinet, but in relatively junior positions.

The appointments come after a hig protest vote from English speakers in the general elec-tions on September 6. Mr Kent Durr is minister for trade, industry and tourism, and Mr George Bartlett is min-

Mr Wim de Villiers, former chairman of Gencor, becomes Minister for Administration



Algerian PM picks Cabinet

THE new Algerian Premier, Mr Mouloud Hamrouche, has mainly appointed Western-ori-ented technocrats to his first government, many of whom are reformers, AP reports from

Algiers.
Mr Hamrouche, named to his job a week ago by President Chadli Bendjedid, picked Sid Ahmed Ghozali, former head of Sonatrach, the oil and nead of Sonairach, the oil and gas monopoly, as Foreign Min-ister. President Bendjedid's amnouncement a week ago that Premier Kasdi Merbah had been dismissed for oppos-ing his reform programme led briefly to a constitutional cri-sis.

UK minister begins Hong Kong talks By Michael Marray

in Hong Kong

MR Francis Mande, the British Foreign Office minister with special responsibility for Hong special responsibility for Hong Kong, last night started a three-day fact-finding mission in the colony. Right of abode in the UK for Hong Kong citizens, development of democracy in the territory and the Vietnamese boat people are likely to figure high on the agenda.

Mr Maude, who replaced Lord Glenarthur in Mrs Margaret Thatcher's July reshuffle, said that 100 days after the Chinese massacre both the Hong Kong and UK governments — and above all the Chinese Government — needed to

nese Government - needed to restore confidence locally.

Mr Maude noted that official talks between Britain and Peking would resume next week, with the meeting in London of the joint liaison group. He said that though these talks would not be held in public "Hong Kong should know that its interests will be put forward robustly in private".

The joint liaison group meeting promises to be stormy fol-

ing promises to be stormy fol-lowing criticism of Britain by China after Mr Barrie Wiggham, a Hong Kong Government official, gave a speech addressing issues within the basic law, including the need to station People's Liberation Army troops in Hong Kong.

Carter in Nicaragua on fact-finding election mission

By Tim Coone in Managua

FORMER US President Jenny Carter arrived in Nicaragua at the weekend on a fact-finding mission into Nicaragua's elec-

mission mits ricaragua's electional process.

General elections are to be held next February, and Mr Carter has been invited by both the government and opposition to be an official observer at these crucial polls and the electoral campaigns leading up to poting day.

to voting day.

Although Mr Carter has no official US backing for his mission, his viewpoint on the elections will carry weight in the US and could prove decisive in

us and could prove decisive in the future course of relations between the two countries.

The Nicaraguan government continues to refuse parmission to official us government chapters to the elections to official US government observers to the elections. However, President Daniel Ortega told Mr Carter such permission would be granted if the US suspended all aid to the Honduras-based Contras and instead used the funds to assist in the rebels' demobilisation.

"The best signal the US gov-

"The best signal the US government can make that it is supporting the electoral pro-cess in Nicaragna is to cease its support for the Contras," he

Last month, the five Central American presidents agreed on a demobilisation timetable for the Contras which has so far not received the support of the

Under the plan, the Contras should be disbanded by the beginning of December and their repatriation or relocation

in third countries organised by the UN and the International

the UN and the international Red Cross.

The US suspended military aid to the rebels in 1988, but under an existing Congressional aid package will continue providing them with "humanitarian aid" until February pear. Attacks by the Contras continue to cause a steady stream of casualties in the Nicaraguan mountains.

Election observer groups from the UN and the Organisation of American States (OAS) have meanwhile already established.

tion of American States (UAS) have meanwhile already established offices in Managna and in cities in the interior.

Observer teams from the European parliament are due to arrive later this year, as are the control of the state representatives from the US-based Centre for Democracy, a non-governmental organisation which observed the Philippines elections in 1986.

Mr Carter, who is the direc-tor of the Council of Freely-Elected Heads of Government, was an observer at the Pana-manian elections last May, which he denounced as a

"fraud". The fact that both the government and opposition in Nicaragua view him as an hon-est and impartial observer. lends additional weight to his assessment of the electoral pro-

After this initial fact-finding mission, Mr Carter will return to Nicaragua in December with a team of 20 observers to moni-tor the closing stages of the election campaign.

Confusion over Soviet convoy in Afghanistan

By Christina Lamb in Islamabad

CONTROVERSY continues over the whereabouts of a huge convoy of Soviet military hardware which entered Afghan-istan from Torghundi on the western border three weeks

The 1300-vehicle convoy is the largest Moscow has sent since their troops withdrew in February. During its journey to relieve the besieged city of Kandahar it came under heavy Mujahideen attack and was forced off the highway and on to a track through the desert

last week.

The Kabul regime claims the convoy has reached Kandahar. However Mujahideen and western diplomatic sources in Islamabad say that only light ert to fight their way into the city from the south, and the main part is still 90 miles away

 Troops have been put on alert in the volatile Pakistani town of Hyderabad after a gun battle in which at least three people were killed and 20 injured.
Police failed to disperse the

rioters from rival ethnic groups using tear gas and opened fire. Eye witnesses said several shops and houses had been selections and both sides had taken hostages. Hyderabad, in the troubled

southern province of Sindh, is the scene of frequent ethnic violence between Sindhis and Mohajirs, migrants from India. It is often under curfew. Last September 200 people were killed when masked gunmen on rooftops and motor-

bikes sprayed the streets with

NZ minister sees era of prosperity

By Dal Hayward

NEW ZEALAND is poised to begin a new period of prosperity in 1990 as benefits of the harsh, wide-ranging economic and financial reforms of the past five years come to fruition, according Mr David Caygill, the Finance Minister.

Speaking at a London conference to mark the beginning of the 1990 celebrations of 150 years of European settlement, Mr Caygill predicted a new era of growing prosperity throughout the 1990s. He listed a number of factors to support this view.

view.
Inflation is down from 18 per Inflation is down from 18 per cent to 4 per cent. The Government's financial deficit has been cut from 7 per cent of Gross Domestic Product when the Labour government took office in 1984 to 1.5 per cent this year and Mr Caygill says he intends to produce a surplus in the next financial year. The current account this he intends to produce a surplus in the next financial year.

The current account this year has shown surplus for the first time in 16 years. Overseas debt — and corresponding interest payments — have been reduced and government borrowing brought under control. In addition, the removal of restrictive financial and industrial regulations, and reform of the tax system all brought widespead improvements to the farming, manufacturing and financial sectors.

The changes had not been without cost but were recognised in New Zealand as necessary to rid the country of the fortress mentality developed during the 1930s and to make it internationally competitive, Mr Caygill said.

"After two years of recession the economy is picking up as the benefits of restructuring take effect. Exports are booming, the balance of payments is in surplus and the Government has reduced its claim on prihas reduced its claim on private sector savings by drastic pruning of its deficit," he said.

"Cash from asset sales enabled us to reduce our debt and the proportion of the Government's budget recoded to ernment's budget needed to service that debt. A reformed tax system means business and individuals are making investment decisions on the basis of economic returns rather than for tax concessions. A more efficient public sector is giving

efficient public sector is giving the taxpayer better value for money along with improved services."

Speaking outside the conference, Mr Caygill said government targets for reform now included improved working standards in the docks, electricity generation and distribution, improved efficiency and cost structuring of town halls, and continuing efforts to make government departments more efficient and businessifike.

The Government is also planning to overhaul securities

planning to overhaul securities legislation, modernise business law and update building controls.

trols.

New Zealand's agricultural sector was already showing the benefits of the restructuring which swept away all farm subsidies and price support schemes. New Zealand did not pursue trade liberalisation to set the world an example but. set the world an example butbecause it was in its domestic interest, he added.

WORLD ECONOMIC INDICATORS INDUSTRIAL PRODUCTION (1985 = 100)

JS V. Germany Japan	July. '89 114.5 113.6 118.6	June :89 114.3 111.1 121.2	May '89 114.5 106.6 118.8	July '88, 111.5 104.8 111.8	% change over previous - year +2.7 +8.4 +6.1
JK taly France Vetherlands	June '89 108.0 116.7 113.4 103.3	May '89 107.9 115.1 112.9 104.2	Apr '89 109.2 115.9 113.2 108.1	June '88 110.1 113.1 108.8 101.4 Source: (exce	-1.8 +3.2 +4.2 +1.9 of US) European

Beirut battle slackens after ceasefire call

By Lara Marlowe in Beirut

THE Arab League peace plan which called on Saturday for "an immediate and comprehensive ceasefire" in Lebanon received a warm international welcome over the weekend, even if it was not fully

respected in Beirut. Compared with the 14 hours of intense bombardment on Friday night – when 13 civil-ians were killed – the period following the reading of the communique in Jeddah by Prince Saud al-Faisal, the Saudi Foreign Minister, was calm. Only one person was killed and 14 wounded in artil-

The latest appeal of the Arab League calls for a ceasefire, an end to weapons supplies, the lifting of all blockades, the reopening of Beirut's international airport and a meeting of the Lebanese parliament.
It does not appear to differ substantially from earlier pleas for ceasefires, all of which have been ignored. Only the setting of a date — September 30 — for the meeting of the Lebanese parliament at an

unspecified location distin-But this time, the Arab League committee has insisted, all parties to the conflict are

willing to co-operate. Prince Saud yesterday met Mr Hafez al-Assad, the Syrian President, al-Assad, the Syrian President, in Damascus to deliver a letter from King Fahd. The communiqué by the league's "troika" of Algeria, Morocco and Saudi Arabia was carefully neutral. Neither the presence of 40,000 Syrian troops in Lebanon — a taboo subject for Damascus — por the pred for reform of Lebanon. nor the need for reform of Lebanon's political system (which Gen Michel Acun, the Maro-nite Christian leader, refuses to discuss before a Syrian with-drawal) was mentioned. It is believed here that both

issues have been addressed in

the Arab plan and said it fully supported the proposed meeting of Lebanon's parliament. The White House also greeted the plan as a step towards reconstituted of the plan and said it fully supported by the plan and said it fully supported by the plan and said it fully supported by the proposed meeting of the plan and said it fully supported the proposed meeting of the plan and said it fully supported the proposed meeting of the plan and said it fully supported the proposed meeting of the plan and said it fully supported the proposed meeting of the plan and said it fully supported the proposed meeting of the plan and said it fully supported the proposed meeting of the plan and said it fully supported the proposed meeting of the plan and said it fully supported the proposed meeting of the plan and said it fully supported the plan as a step towards reconstructed the plan as a step towards reconstructed the plan and said it fully supported the supported the plan and said it fully supported the p onciliation. Gen Aoun withheld

follow soon after a ceasefire.

preliminary negotiations led by French and Soviet envoys. The communique issued in Jeddah was, it appears, merely part of a hidden agenda. Yesterday France welcomed

According to reports in the Beirut press, Damascus has agreed to lift its blockade of Christian Lebanese ports on condition that political reforms

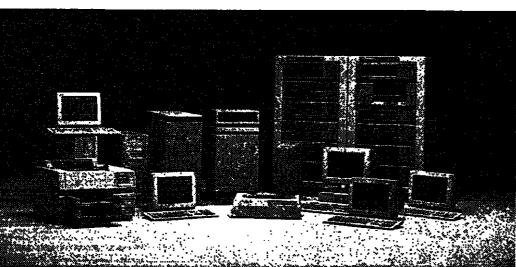
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OVERSEAS NEWS

Brussels presses telecom reforms to give EC more competitive tone

The Commission wants Europe to promote advanced services so that the region can keep pace with world rivals, Hugo Dixon reports

THERS ARE "training themselves, getting fit in their own markets. The risk is that the whole world market will be taken by global [telecoms] service providers which are not Europeans," according to Mr Herbert Ungerer, the European Com-mission official who has spearheaded its campaign to open

The fear that Europe will miss out on an important new market for advanced telecoms services is one of the reasons the Commission has been pushing member states to lib-

eralise telecoms.

Another reason is that services such as data banks, pri-vate networks and electronic trading are seen as an essential weapon in the armoury Euro-pean industry will need to stay competitive in world markets. Red tape and artificially high costs have stifled the development of these services in most of Europe, compared with the

US, the Commission says. The market for data communications services is less than 10 per cent of the Ecu 75bn (251bn) spent on all telecoms services in the Community

Even though it is growing at about 25 per cent a year, the bulk of this activity takes place fuzzy but the central idea is needs.

There is also a move to contract out the operation of net-Even though it is growing at

in the UK, which has already liberalised its markets. The Commission's plan was discussed last week at an informal meeting of the Community's telecoms ministers at Antibes in the South of France. Of the big five nations, only West Germany and the UK

were in favour.

The others, led by France, were against the plan on the grounds that it would under mine the position of their pub-licity-owned telephone monopo-

The ministers have offered to negotiate a compromise with the Commission, but it seems unlikely that the Com-mission will back down from its current intention, which is to push through deregulation unilaterally on April 1, 1990 if the member states fail to agree before then.

The plan is aimed at freeing in the member is aimed at freeing in the member is aimed at freeing.

up the market for data commu-nications, where the monopoly held by the public telephone operators (PTOs) is felt to have the most important effect in stifling new services.

PTOs would be allowed to

continue their monopoly over the basic phone service.

Data services fall into two main categories: basic and

EUROPEAN MARKET

that a basic service involves simply transmitting information from one location to another, while a value added one involves adding software and electronic equipment to the system to manipulate the

for transmitting their basic data, either over the ordinary public network or using special systems called packet-switch

However, 25 per cent of data sent across Europe's frontiers fails to reach its destination because the packet-switch networks do not interconnect properly, so companies which send large amounts of data would prefer to operate their own private networks which can be tailored to any special

works to third parties - an approach that brings many of the advantages of private networks but not the inconve-nience of having to manage and maintain them. In the UK, where the price of

leasing private circuits is roughly in line with costs, and there is comparatively little red tape, private networks have proliferated.

Racai Electronics, for example, last year won a £300m contract to supply much of the Government's data communications needs over the next 10 The UK's total spending each

year on inland private circuits is over £800m, which is thought to be nearly as much as the rest of Europe put

together.
Elsewhere, the price of leasing lines has been kept artificially high in order to deter the development of private net-

The worst offenders are West Germany, Spain and Italy, where prices are often more than four times costs and can even be more than 10 times costs, according to Ovum, a London-based consultancy. Private networking on the Continent is also made difficult by restrictions on what busi-

es can do with their leased

Red tape and artificially high costs have stifled development of services in most of Europe

from country to country, but the main ones stop companies: Selling spare capacity to

compared with the US

third parties;
• Linking suppliers and customers to the same network;
Connecting private networks to the public network.

These restrictions have made private networking so unattractive that most companies have been forced to stick with the services offered by PTOs. They have also deterred the growth of value-added services.

which are usually offered

through private networks.

The importance of value-added services is that they speed up commercial transactions and eliminate errors by a combination of tele-communications and computer technologies.

Designing products, getting access to information, ordering components, invoicing customers and paying for goods can

all be done electronically, instead of pushing pieces of

This market is still in its early stages. The financial services and travel industries have had access to on-line data bases for several years.

But more sophisticated value-added services such as electronic data interchange, which allows companies to swap orders and invoices, have

only just started.

Most have been pioneered in the US by companies such as EDS, the General Motors sub-sidiary, IBM, General Electric and Tymnet, which was recently acquired by British

Since the UK value-added services market was liberalised in the early 1980s. British com-panies such as Istel, the former subsidiary of the Rover car group, and Racal Electronics have entered the market, and US companies have spread their operations to the UK.

But companies complain of the frustrations of building pan-European networks. EDS, for example, says that in many countries it is not allowed to offer value-added services to different customers over the

same network. In some countries, it has got round this problem by setting up separate networks for each customer; in others, it has been given an exemption to the rules but only provided it pays the PTO a surcharge, which

can amount to 25 per cent.

"This is increasing our costs and putting us at a competitive disadvantage to the PTOs," says Mr John Wishney, EDS's European telecommunications

The Commission's plan is to sweep away the restrictions on data communications, in the expectation that new competitors and new services will

The governments opposing it, however, say that such a move will mean that traffic is diverted off their PTOs' net-

works, leaving them with uneconomic businesses. This is a particular concern to such nations as Greece and Portugal, where the main pri-ority is to build a decent basic phone service rather than promote imaginative new services.

The French, on the other

hand, argue that it is possible for a state-owned monopoly to promote the growth of value added services, pointing to the success of France's Minitel videotex service.

The counter-argument put by the British and Germans is that everybody, including the established PTOs, benefits from competition because it

For example, in the four years since BT was privatised, its annual revenues have grown 50 per cent to £11bn and pre-tax profits have shot up 70

per cent to £2.5bn. The opponents of liberalisation are prepared to see compe-tition in the market for value-added services, but want to be allowed to maintain a monopoly over basic data communications.

The advocates of liberalisation say this would neuter the reforms, because basic data is a much larger market and there are fears that PTOs could exploit the fuzzy dividing line tween basic and value added data to prevent competition.

There seems no quick way of breaking this deadlock because the positions of the protago-

nists are so entrenched.

The Commission's intention of taking unilateral action could achieve liberalisation in name, but it is doubtful that this would be implemented with vigour in those countries which oppose the policy.

In the long run, however, the balance of forces may change if large telecoms users can make their influence felt.

They are in favour of cutting the red tape but so far have largely been kept out of the

Norway's opposition bid for government

NORWAY'S three centre-right opposition parties will today try to form a government to replace the election-battered ruling Labour Party, Reuter reports from Oslo.

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But policy differences, a sceptical public and dependence on a right-wing maverick they all execrate, mean the parties face a difficult and uphili task in their joint talks.

The Labour Party, under the leadership of Prime Minister Gro Harlem Brundtland, suffered its worst setback since 1930 in last Monday's national election, ending up with 63 seats, just one more than the perennially squabbling

opposition. Even if they reach agreement, the three parties need the support of the radical Progress Party for a majority in the 165-seat parliament. The party's charismatic leader, Mr Carl Hagen, cashed

in on high taxes, disillusionment with record unemployment and problems in the welfare system to win 22 seats and the balance of power. But all three parties have refused to include Mr Hagen in their talks. They say he is unreliable and that his anti-tax, anti-immigration

traditions of consensus politics In return, Mr Hagen will not guarantee them his support unless they include him in their government, but has said he will probably help vote Mrs Brundfland out of office when Parliament reconvenes in

"The non-socialist parties will try to co-operate, they will fail and Brundtland will keep power," the conservative government," he said. "It is business daily Dagens clear aim and belief that the negotiations will successful."

"I believe the centre-right has a 50-50 chance of success," said Dr Henry Valen, a political science professor at Oslo University. "But such a government would not last

Iong."
The opposition differences have allowed Mrs Brundtland to rule virtually unchallenged policies break with Norway's with a minority government since 1986 – a fact that hardly inspired voters in the September 11 election. But Mr Jan Syse, the Conservative leader, is

optimistic about his current

round of talks with counterparts in the Centre Party and Christian People's Party.
"We have to do what we have promised - negotiate on how to give the country a new government," he said. "It is my clear aim and belief that these

Walesa accepts invitation to S Korea

By Maggie Ford in Seoul

circuits. The restrictions vary

Mr Lech Waless, the Polish Solidarity leader, is to visit newly democratising South Korea in December at the invitation of one of its opposition

Mr Kim Young Sam's Reuntfication Democratic party announced at the weekend that the invitation to Mr Walesa was part of the party's efforts to promote South Korea's relations with the Eastern bloc.

Mr Kim recently held a meeting in Moscow with Mr Ho Dam, a leader from communist North Korea, in collab-oration with the Soviet author-

It is also possible that Mr Walesa will be seeking technical know-how from the South Koreans as part of efforts to rebuild Poland's ravaged econ-omy. Over the past week, Mr

Walesa has been telling work-ers that the newly-formed Government needs firm support

for its economic programmes. Mr Walesa's visit may provide an opportunity for South Korea to establish formal diplomatic relations with Poland. which has already set up a

trade mission in Seoul.
Seoul's "nordpolitik" policy
has so far only resulted in establishing diplomatic rela-tions with Hungary.

Two Soviet envoys, includ-ing Mr Georgy Arbatov, an advisor to Mr Mikhail Con-chey stressed in Securi lact

chev, stressed in Seoul last week that economic relations between Moscow and Seoul would be welcome but that the establishment of diplomatic relations were premature.

Communist North Korea, angered by Hungary's decision to recognise the South, has downgraded the level of its representation in Budapest.

 Meanwhile, Mr Donald Gregg, the new US ambassador to South Korea, has arrived in the country to prepare for the visit this week by Mr Dan Quayle, the US Vice President. Mr Gregg's appointment to Seoul was held up by ques-tions in the US Congress over his role in the Iran Contra affair. The US has not had an ambassador in Seoul for

almost 11 months. Mr Quayle will see President Rob Tae Woo, along with opposition leaders and cabinet ministers and will pay a visit to the demilitarised zone with divides the two Koreas. More than 40,000 US troops have been stationed in the South since the Korean war ended in

Talks for reviving cocoa agreement end in failure By David Blackwell

TALKS AIMED at reviving the moribund international cocoa agreement ended in failure in London early on Saturday

morning.

After a week of discussions which had raised some opti-mism, delegates from produc-ing and consuming countries at the International Cocoa Organisation found it impossi-ble to reconcile their differ-

By late Friday, a package had been put together which would have lowered the price range the agreement was try-ing to defend, cut the levy on the import and export of cocoa from \$30 to \$5 a tonne, and put \$30m in the organisation's kitty to finance the next market support measures – a withholding scheme designed

to take 120,000 tonnes off the world market.

However producers owe well over \$100m (£64.3m) in levies. Consumers were not prepared to see the organisation pay out money to producers who were operating the withholding cheme but were still in debt to

the cocoa organisation.

If now appears unlikely that the cocoa agreement will survive beyond September next year, when it is due to expire. The existing pact has been in effect frozen since February last year when purchases were completed for a 250,000-tonne

buffer stock. The existence of the buffer stock has done nothing to stop a slide in prices because the world market is glutted with

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Drug maker for sale three years after buy-out

since the buy-out, and interest

had sharpened recently.
Partly because of that, Evans

has decided to defer plans for a

listing on the London Stock Exchange. Mr Moffatt said it

would not be in anyone's inter-

est to go through the expense of a public flotation if the com-

pany was to be taken over.

It has been known for some

time within the industry that

Evans's ownership position might change. Evans said at the time of the buy-out that it aimed to sell the company

within two to four years. It is not clear what price Evans would command, but it is

nies with a stronger base in

original research.

The aim would be to link

with a company with strong marketing in the EC and North America, and help the UK concern expand overseas.

By Andrew Baxter

EVANS HEALTHCARE, one of Europe's largest players in the fast-growing market for generic (unbranded) prescrip-tion medicines, has put itself

The decision comes less than three years after Evans, based near Horsham, West Sussex, won its independence from Glaxo, the big UK pharmaceutical group, through a £27.5m

management buy-out.

It is likely to create considerable interest as Evans has a strong position in the £200m UK generics drug market, and is one of the world's few remaining privately owned

vaccine producers.

The company's 640 employees were told on Friday of the decision to seek a buyer. Evans has factories at Horsham. Speke, on Merseyside, and Bradford, and a distribution centre in Dunstable.

Evans, which over the past year has been receiving finan-cial advice from First Boston, has asked the investment bank to invite potential purchasers to submit offers. Mr David Moffatt, Evans's managing director, said the company had received many approaches

Developers named for **Bradford** city scheme

By Hazel Duffy BRADFORD council has

appointed Leeds-based 3D Developments to carry out the £180m renewal scheme in the west end of the city. Some 7,000 full-time jobs will be created in the new centre there.

Arrowcroft, which was responsible for the restoration of the Albert Pack in Liver. of the Albert Dock in Liver-pool, was the other main con-tender for the Bradford devel-

Mr Ronnie Farley, chairman of the Environment and Enter-prise Committee of the counprise Committee of the council, said 3D's scheme showed vision and "will contribute to the revitalisation of Bradford." He added that the city was "establishing itself as the cultural capital of the north."

likely to be considerably higher than the buy-out sum, to reflect growth in sales and profits. In the year ended June 30, pre-tax profits before excep-Tourism and leisure are the main features of the plans. They seek to make the Bradford centre distinct from tional items rose from £1.94m to £2.65m. However, Evans is unlikely other city renewal projects by capitalising on the cultures of to sell for the kind of multiples seen in recent bids for compaits immigrant community.

The scheme revolves around series of local and international pavilions, incorporating a conference and exhibition centre, speciality shopping, multi-screen cinema and a new

Two-part Guinness trial sought | Chairman of unit

THE GUINNESS case returns to court today in the prelude to

to court today in the prelude to one - or possibly two - of the longest and most complex fraud trials ever held.

At a pre-trial hearing, the Serious Fraud Office will seek to have the trial divided into two. It believes that would make it easier for jury members to follow the complexities of the case - although critics of the case — although critics claim the complexity is of the SFO's making, because of the large number of charges it has brought.

Mr Ernest Saunders, the for-mer Guinness chief, who would be the only defendant common to both trials, faces 49 charges in all. He has complained bitterly about the prospect of being forced to endure two

being forced to endure two lengthy trials.

If accepted by Mr Justice Henry, a split trial will almost inevitably lead to a ban on reporting of the first, for fear of prejudicing the jury in the second. The full trial, or trials, are due to begin in January.

The case arises from the handling of Guinness's £2.5on takeover of drinks group Distillers, completed three and a half years ago.

half years ago.
Mr Saunders and the six other defendants are alleged to have organised an illicit operation to support Guinness's share price in the final days of the bid, helping its cash-and-shares offer to prevail over a CHRONOLOGY

1985 December Argyll bids for Distillers. 1988 January Guinness bids for Distillers.
April 18 Guinness wins Distillers bid.
December 1 DTI launches investigation.

1987 January 9 Saunders steps down as chairman and chief

executive (later sacked by board).

May 7 Saunders charged with three offences.

October 8 Sir Jack Lyons charged with nine offences.

October 13 Ronson charged with eight offences; Saunders with a further 37. October 15 Seelig charged with 12 offences. 1988 March 10 Lord Spens charged.

March 29 Court upholds Takeover Panel ruling that Guin ness was involved in concert party for purchase of 10.6m

March 25 Parnes returns to UK and is charged with 19

April 6 SFO takes over Guinness case on its inauguration. April 7 Mayhew arrested on three charges.

The charges centre on sec-tion 151 of the Companies Act, which forbids a company to use its own money to support

its share price.
The case has struck at the heart of the country's financial community. Those arrested and charged have include Mr Roger Seelig, formerly corpo-rate finance director at Morgan rate finance director at Morgan
Grenfell and Mr David Mayhew, a leading partner at corporate brokers Cazenove. At
the time they were two of the
City's top corporate financiers.
If charges against the two
were upheld, the shock waves
would reverberate through the
City — particularly at Cazen-

Mayhew throughout.
Also charged are stockbroke Mr Anthony Parnes and Lord Spens, former head of corporate finance at Henry Ans-

bacher. The charges have also pene-trated to the heart of the busi-ness community. Besides Mr Saunders, they have embraced Mr Gerald Ronson, chairman of Heron Corporation, who faces eight charges, and Sir Jack Lyons, the millionaire financier, who faces nine. The investigations into the

If charges against the two affair began nearly three years were upheld, the shock waves would reverberate through the City – particularly at Cazenove, which has stood by Mr insider trader ivan Boesky.

trust group resigns

resigned as chairman of Fram-lington, the medium-sized unit trust group he helped to set up in the late 1960s.
His resignation came 17

months after Framlington fell prey to a £70m takeover hid by Throgmorton Trust: That move was led by two of Mr Stuttaford's fallow directors

Mr Stuttaford's fellow directors on the Framlington board who also sat on the Throgmorton board — Mr Peter Loach and Throgmorton chief executive Mr Bob Seahrook.

Mr Loach said yesterday that Mr Stuttaford had offered his resignation last week, giving a year's notice. He was however expected to remain on Framexpected to remain on Fram-

ington's board.
Mr Stuttaford's departure from Framlington marks the end of an era in the unit trust business, not least because of his stature as chairman of the Unit Trust Association until

ast year. In recent weeks Mr Anthony Milford, another Framlington director, has also left the board, although he will remain in the company, and Mr Patrick Evershed, a director of one of the group's subsidiaries, was

MR BILL STUTTAFORD has asked to leave after a reorgani-resigned as chairman of fram-sation of its private client

department.

The departure of Mr Stuttaford and his Framlington colleagues will cause little surprise in the City. The takeover
by Throgmorton in April last
year was initially flercely
resisted by Mr Stuttaford.

Management differences
between Throgmorton's offshoot, Throgmorton investment Management Services,
which became part of Fram-

which became part of Fram-lington in 1986, and Framling-ton were among the reasons prompting the takeover bid.

Five weeks ago, Throgmorton itself was taken by surprise at the resignation of Mr Seabrook, chief executive, who left

brook, chief executive, who have on health grounds.
Soon afterwards it was disclosed that the Department of Trade and Industry was looking into share dealings by directors of edible oil manufacturer Acatos and Hutcheson, including Mr Seabrook.
However, Mr Seabrook con-

However, Mr Seabrook continues to sit on Throgmorton's board, and the group says his resignation as chief executive was entirely unconnected with the DTI investigation.

Independent financial advice campaign boosted

By Eric Short

THE campaign to promote independent advice and independent financial advisers to the public was regenerated yes-terday with the launch of a new marketing company called IFA Promotion.

It will take up the work initiated by the Campaign for Inde-pendent Financial Advice (Camifa), which now officially

Under the "polarisation" requirements of the financial services legislation, intermediaries marketing life assurance, pensions and unit trust prod-ucts must either be independent and deal with the whole market, or be the representa-tives of one sole company and deal only in the products of that company.

Company representatives can either be full-time employees of the company or simply be tied to the life company under a service agreement but trade under their own names. The latter are known as tied

Several life companies, including mest of the Scottish companies, which then relied entirely on independent interset up Camifa more than two life company members.

years ago. Its aim was to promote the cause of independent financial advisers and to highlight the difference between them and tied agents.

Such companies originally pledged to take business only from independent advisers. But the campaign was almost halted when big building soci-eties decided to change their status from independent to IFA Promotion has two aims.

First, it intends to revitalise the promotional message to the public about independent advice and advisers. Second, it intends that the advisers themselves should ultimately take on the full

responsibility for the company. At present, IFA Promotion is sponsored by 22 life and unit trust companies which have guaranteed £2m to meet the first year's operating costs. However, independent advis-

ers will now have to pay an annual fee to join the company - basically £100 a firm plus £10 an individual other than the first. Camifa had no independent financial advisory membership

Bisley considers £2.25m extension to Gwent plant

By Anthony Moreton, Weish Correspondent

considering a £2.25m extension to its new £8m plant in New-

to its new £8m plant in New-port, Gwent.

Mr Tony Brown, managing director and sole shareholder in the office-equipment con-cern, based in Bisley, Surrey, said: "It is all a matter of inter-est rates. If they start to come down, I hope we can double the size of our Newport operation starting next war."

The company employs 40 workers at the plant, where production started this month. Mr Brown expects the workforce to rise to 60 by the end of

BISLEY Office Equipment is considering a £2.25m extension the year and 110 by April The extension should double the

workforce to 220. Bisley, a subsidiary of F. C. Brown (Steel Equipment), claims to be Britain's largest producer of steel storage cup-boards and other containers for offices and third or fourth in the office supplies market.

Turnover last year was £23.75m and the company expects that to double by 1972. Mr Brown said the plant would be one of the most mod-ern office furniture factories in Europe, with the latest com-puter-controlled equipment.

OBITUARY

Lord Trafford: career as consultant and politician

LORD TRAFFORD, a Health Minister of State since the July reshuffle, died on Saturday from a virulent strain of lung

from a virulent strain of lung cancer. He was 57.

His death will be seen as a setback to ministers' hopes to limit damage in the Lords to the forthcoming Health Bill, introducing the National Health Service reforms.

Lord Trafford was a former hospital consultant and an effective parliamentary per-

effective parliamentary per-former. His role was seen as crucial in steering the legislation through the upper house. The Government relied on his professional expertise in conprofessional expertise in con-vincing cross-benchers of its

He was admitted to hospital in Brighton, where terminal

lung cancer was diagnosed, last Tuesday. He was the Conservative MP for the Wrekin in the early 1970s before returning to medi-cine. He led the medical team that looked after the victims of the Brighton bombing in 1984. Mrs Margaret Thatcher, the Prime Minister, said Lord Traf-ford had achieved a distinguished career in both politics and medicine, and that those who suffered in the Brighton bombing owed him an enormous debt of gratitude.

Mr Kenneth Clarke, the Health Secretary, said his death was a dreadful tragedy. A decision on his replacement is not expected antil Mes

is not expected until Mrs Thatcher returns from Japan on Saturday.

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people support to set up new lives just as

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from the Spanish Inquisition, the White

Turkey has always been a country to

welcome "the tired, the poor, the huddled

Russians fleeing the Revolution.

Every day, hundreds are beaten on the

streets, hundreds are taken away for

questioning in the middle of the night,

hundreds are arrested for no reason at all,

lands they have lived for centuries, their

children taken away from them, their

These people are the ethnic Turkish

properties confiscated.

minority in Bulgaria.

and hundreds are forcefully driven from the

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UK NEWS

Oil slick in

North Sea

after tanker

TWO OIL tankers collided

yesterday off Spurn Point, just outside the Humber estuary,

causing a five-mile oil slick

after the spillage of more than

1,500 tonnes of North Sea

Fires started on both ships,

but the 55 crew members on the Liberian-registered

Phillips Oklahoma and the

Efforts to contain the slick

by spraying it with dispersants failed and it was carried into the North Sea. The spillage – assessed by the Humber Coastguard at 1,500 cu metres – was 10 times the size of that in the Mersey last month.

The coastguard said yester-

day: "By spraying thoroughly within eight hours we antici-

se-registered Fiona were

Baker says MPs failed to put Tory message across

FAILURE by ministers and MPs to take the Government's message out to the country earlier this year was blamed for the Conservative Party's current low standing in the opinion polls yesterday by Mr Kenneth Baker, the Tory party

He said the party must now be more outward-looking in its attempts to persuade the electorate about government policies and step up its attack on Labour's policy review docu-ment, which he described as a "gold mine" of ammunition. Mr Baker's call comes when the latest opinion poll, conducted by Harris for the

Observer, puts Labour 8 percentage points ahead of the A copy of the agenda for the forthcoming Conservative Party conference also shows unease among party members over the poll tax "safety net" arrangements, the handling of

the economy and the environ-Mr Baker said the loss of popularity faced by the Government was "containable"

The Government's legislative programme earlier this year had led ministers and MPs to be too inward-looking. The party now had to be more per-



Kenneth Baker: more attacks on Labour needed

suasive about its policies and attack Labour much more, he

-Mr Baker also hinted that the Government could move over the arrangements for the poll tax "safety net" which have led to strong protests from concerned Tory back-

He said it was one aspect of the poll fax or community charge which had to be looked at. He agreed there was resentment among many people liv-ing in areas - often Conservative-held marginal seats -

collision increased to subsidise other, By fan Hamilton Fazey, traditionally high-spending Northern Correspondent

called for more financial support for the safety net - but have so far met with strong opposition from the Treasury. Speaking on London Week-end Television's The Walden Interview, Mr Baker ruled out suggestions that the impact of the tax could be minimised by central government taking over the funding of education - the most expensive service now provided by local authori-

Tory MPs in such areas have

That would be bad constitutionally, leaving local authori-ties with little else to do, and bad educationally, running counter to government policy of devolving responsibility

downwards.
Mr Baker dismissed suggestions that the public wanted more public expenditure rather further tax cuts, saying that the two were compatible. Public expenditure, particularly in areas such as health, education and social services, had risen significantly, although it had declined as a proportion of gross domestic PM will press for entry to

pate that there will be no threat to the coastline."

Environmental groups and politicians called for oil companies to be made fully liable for all clean-ups after accidents. Mr John Prescott, Labour's Transport spokes. Labour's Transport spokes man, said that funding cuts in the coastguard service meant radar controls were inade-Tokyo Stock Exchange, Page

Law on council investments being reviewed

By Richard Tomkins, Midlands Correspondent

THE GOVERNMENT may consider tightening the law regulating local authority pension funds amid concern over investments made by the Derbyshire County Council fund. The Department of the Envi-

ronment confirmed yesterday that it had begun a review of the rules earlier this year, after investments made or planned by the Derbyshire fund were questioned in parliament.

Concern has focused on Derbyshire's investments in com-panies linked with Mr Owen Oyston, a businessman whose nterests include the control of several commercial radio sta-

The connection began in 1996 when the Derbyshire fund.

failed the following year. When the newspaper folded

worth about £400m, invested

£305,000 in News on Sunday, a

left-wing tabloid newspaper that was launched in 1986 and

the fund sold its stake to Mr Oyston - also a founder investor - for £400,000. At the same time, it agreed to pay £400,000 for a 25 per cent stake in Telemags, a company controlled by Mr Ovston.

A year later the Derbyshire fund paid a further £2m for a stake in Jebwill, a subsidiary

Jebwill subsequently used the £2m to take an 11 per cent stake in Red Rose Radio, a company then being taken over by Mr Oyston.

Labour leader of Derbyshire county council, yesterday defended the fund's investments in Mr Oyston's compa-

He said if they had not been made, the £305,000 put into News on Sunday would have been lost. Instead, the investments were showing a net profit of £640,000.

Local-authority pension funds are regulated by the Local Government Superannu-ation Regulation 1986, which imposes different requirements from those of private funds

controlled by trustees. The rules leave councils relatively free to invest, provided the portfolio is suitably diversi-

fied, the investments are suitable for the purpose, and the administrators take appropri-ate advice from time to time.

No more than 10 per cent of the fund can go into unquoted securities and no more than 5 per cent can go into any one investment.

In Derbyshire's case, that would appear to limit its investment potential to £20m in a single project.

Earlier this year Derbyshire offered to invest £20m of its pension fund in Toyota, the Japanese car company, if it chose to site its European ca plant in the county. Toyota did choose Derbyshire, but the

Checkland admits BBC overlooked move to right

By Raymond Snoddy

MR MICHAEL Checkland, director-general of the BBC, last night conceded that the corporation had failed to reflect in some of its reporting the move to the right in British politics over the past decade. He said there was a point when the BBC had missed what was going on, although it was neither a leftist nor a sub-

versive organisation. Mr Checkland said: "The fact that the country had moved over the last decade towards the right I think we probably

OKASAN CELEBRATES 15 YEARS IN LONDON

High growth through

personal contact

missed in some of our reporting and I think we reflect that move now."

Politically, the BBC had been under attack because it was considered that some of its programmes did not have the authority or depth of research they should have done.

That was one of the reasons why Mr Checkland had decided news and current affairs needed to be strengthened, with more money being spent and new people brought in to had properly-researched jour-

Speaking in a Radio 4 interview programme, Louder Than Words, broadcast last night, Mr Checkland played down the threat of political interference. In his two and a half years as director-general he had not received calls from ministers or the Prime Minister.

"I don't think we are fearful in any way of covering the political issue," he said. The BBC had done quite well

paper on broadcasting. It could have lost one of its channels or been prevented from carrying its present range of pro-grammes, Mr Checkland said. Instead, their role as a provider of both popular and minority programmes was reinforced.

Mr Checkland said that the corporation had a lot of work to do in the run-up to the rene-Charter in 1996: "We have to prove that we have a proper place in the new, competitive

Interest rates 'risk

The survey of local Chamculties might lead to job loss

He urged the Chancelor of the Exchequer, to use his

 Mr Bryan Gould, Labour's Trade and Industry spokes-man, yesterday said that, under a Labour government, dividends were unlikely to be paid on shares in privatised utility companies such as water, gas, electricity and Brit-

He told BBC TV's On the

£19m to £65m and now has 160

mercial loans, alongside the cash provided against invoices as part of a complete financial package to customers. It believes that will allow customers to meet all their finan-cial needs within one organisation and give it an edge over competing groups.
Hill Samuel intends to target

companies with turnovers of 23m and above. The 10 compa-nies that make up the Associa-tion of British Factors reported a 22.5 per cent increase in business to £5.04bn in the first half of 1989 over the corresponding

Okasan London - one of the first in Europe

Okasan Securities opened its London office in 1974, and was one of the very first Japanese securities companies to set up overseas.

This is not so surprising, considering that from its beginning in 1923, Okasan Securities defied the traditional approach of waiting for clients to come to the broker, and went out to meet them in order to understand their needs.

So successful was this investment in personal relations, and so swift the growth of brokerage of Japanese securities to UK investors, that in 1980 London was upgraded from a representative office into a full subsidiary.

Europe's growing importance

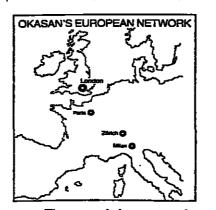
Today London is the flagship office of the Okasan international network with an experienced staff of 60 people - a far cry from the small office housing a manager and secretary which opened its doors 15 years ago.

London has become the hub of a growing European network. With offices already well established in Paris and Zurich, Okasan is opening another in Milan early next year, and still more are planned to open in Europe's other key financial centres with the clear aim of meeting the tremendous

opportunities which the arrival of the single European market in 1992 will bring.

> Research now an added strength

Last May saw the setting up of a new Research department in London. Linked to the other well established Okasan Securities international research facilities in Tokyo and New York, it is staffed by highly qualified researchers and analysts making in-depth studies of Japanese, European and other equities and bonds as well as short. medium and long-term market



The research department of the London office is highly valued by clients for its up-to-the-minute information, particularly on Japanese shares. Okasan International (Europe) also advises and acts for Japanese clients buying and selling European equities and bonds - a service that is being strengthened from now on.

Last year Okasan International (Europe) increased its capitalisation to £5m and its market-making capabilities by joining the ISE screen-based dealing system SEAQ International. The company also became a member of LIFFE, and increased its status as a major underwriter of Japanese bond issues by lead managing its first equity warrant issue.

> **Investing** in personal relations - the key to Okasan's success

Every member of Okasan International's London office knows the importance of close client contact and attention to individual needs in building trust.

It's the well proven philosophy which has helped

Okasan become one of Japan's top 10 securities houses, and achieve exceptionally high growth and high earnings.

Training programmes for Okasan's international staff are carried out in London. These develop highly skilled analysis, fund managers, equity and bond traders, and cultivate specialists in international and corporate finance as well as underwriting.

Okasan was one of the few top-tier Japanese securities houses to have increased revenues in the aftermath of the October 1987 crash, and growth of customer assets in custody over the past two and a half years has been among the highest in the industry.

As the founders of Okasan discovered many years ago, investment in personal relations pays off.

ECURITIES COLLID TOKYO, JAPAN

OKASAN INTERNATIONAL (EUROPE) LIMITED

Cutters Garden, 5 Devonshire Square, London EC2M 4YD, England. Telephone: 01-626 1682. Telex: 8811131 OTHER OVERSEAS OFFICES Pans - Zunch - Bahrain - New York - Hong Kong - Singapore

to small businesses' By John Mason

SMALL businesses are likely to suffer particularly badly next year by the Government's policy of high interest rates, according to a Labour Party

bers of Commerce showed that expected to flatten out in 1990 and fears that cash flow diffi-Mr Gordon Brown, Labour's Treasury spokesman, yester-day said the survey showed worst affected by the steep rise

s have reported potentially damaging measures that have had to be taken to raise

in borrowing costs. He said: "Some small busi-

Autumn Statement to prevent further deterioration in investment prospects.

ish Telecom.

Record programme that Labour would use the existing or proposed regulatory mechams to enforce its top priorities of increased investment and fair pricing. That would make dividends unlikely.

He said it remained Labour policy to return the utilities to public ownership by buying public ownership by buying back shares at a "fair market price.

TSB to relaunch invoice discounting business

TSB GROUP PLC, Britain's sixth largest bank, is to relaunch its invoice discounting business, which provides companies with cash against unpaid invoices, as Hill Samuel

it bought Boston Financial, then owned by the First National Bank of Boston, and changed its name to UDT Comsubsequently bought Hill Samuel, the merchant bank, in October 1987, UDT was made

company, now renamed Hill Samuel Commercial Finance, has increased the value of out-

business clients.
- Hill Samuel Commercial
Finance intends to offer com-

TSB first went into invoice discounting in June 1987 when

Commercial Finance.

mercial Finance. When TSB part of Hill Samuel's Over the past two years the

Competitive bids for fire services urged

LOCAL AUTHORITIES should contract out their fire services by seeking competitive bids from private companies to ensure better value, the Adam Smith Institute, a free-market think tank, advocates today.

It argues that councils should be encouraged to form

By Richard Evans

their fire services into separate by management buy-out - and urges the Government to add fire to the list of six services that local authorities are already obliged to put out to

The institute's report was immediately attacked by the Association of County Councils, whose members are responsible for running fire services, as being selective in its research and presentation and presenting overseas com-parisons of dubious validity. The main reason for the institute's advocacy of privati-sation of the service is its alleged lack of efficiency. "Costs are constantly rising; restrictive labour practices limit management initiative;

equipment or manpower," says Mr Michael Simmonds, the report's author. The economist would recognise these as classic symptoms of an over-regulated, non-com-petitive industry." Mr Simmonds says he

there is little innovative use of

believes the increasing cost of the fire service must be a cause for concern to the Government. Overseas examples, especially in the US and Denmark, showed that fire services could operate effectively in the pri-vate sector. "Competitive ten-dering offers a realistic future for the service," the report con-

It cites evidence to show that the fire service in the UK is one of the most expensive in the world, with costs growing every year. The banning of all avoidable overtime by the Fire Brigades Union has made it dif-ficult to respond to changes in manpower needs, and there is a rigid system of shifts.
"No commercial company

faced with competition, could survive these restrictive prac-tices," declares the report. The Association of County Councils said it was aware of cern about the fire service, and had already taken action to examine its efficiency.

The Audit Commission, the local government watchdog, concluded in a recent report that there were "only modest opportunities to secure better value for the annual expendi-ture," and that "the fire service appeared to be managed nota-

The Burning Question. Adam Smith Institute, PO Box 316, London, SW1P 3DJ. 19.

By Philip Stephens, Political Editor

MRS Margaret Thatcher, the Prime Minister, will this week press the Japanese Government to take further steps to liberalise its domestic markets and to grant admission to the Tokyo Stock Exchange to two British investment companies. The Prime Minister, who leaves for a four-day visit to Japan later today, is taking with her a shopping list of measures which the Govern-ment believes are needed to give British companies greater access to the Japanese

In talks on Wednesday with Mr Toshiki Kaifu, the Japanese Prime Minister, she will voice her frustration at the Tokyo Exchange's continuing delay in offering membership to James Capel and Barclays de Zoete

Mrs Thatcher is also expected to raise British concerns that the current US/Trade negotiations under the Struc-tural Impediments Initiative (SII) could result in bilateral deals between Washington and Tokyo at the expense of Euro-

pean interests.

British officials say the endtural subsidies and moves to

ing of a row earlier this year over sales of Scotch whisky in Japan, and evidence that the country's economy and imports are growing strongly, have removed much of the traditional friction in trade relations between the two coun-

tries. The Prime Minister, however, has come to regard the issue of stock exchange mem-bership as a test of Japan's willingness to continue the process of liberalisation. She has raised the issue with

three successive Japanese prime ministers. The issue is currently under discussion by a stock exchange committee, but Mrs Thatcher will stress that there must be no further delays and will seek

a firm commitment that the issue is resolved by the end of this year. British officials have also prepared a list of more funda-mental changes which the Gov-ernment believes are needed to reduce the huge trade imbalance between Japan and

curb high land prices by easing development restrictions.
In parallel, Mrs Thatcher will again emphasise that the openness of Britain's markets and financial system should continue to make it the first choice of Japanese companies

setting up manufacturing plants in Europe.

Over the last two years Britain has attracted more than 35 per cent of total Japanese in the EC Mrs Thatcher will also hold

talks with Emperor Akihito, and — as leader of the British Conservative Party — will attend the Tokyo conference of the International Democratic Union, a worldwide grouping of centre-right political parties.

Mrs Thatcher will meet US Vice President Dan Quayle

on the global environment and on the problems of international terrorism.

next weekend she will stop off in Moscow for talks with Mr Mikhail Gorbachev, the Soviet

Call to toughen guarantee code

By David Churchill, Leisure Industries Correspondent

THE National Consumer Council, the state-funded con-sumer watchdog, is expected today to renew its call for a wide-ranging statutory guarantee of consumer rights.

The council hopes an MP who comes high in the ballot for private members' bills in the next session of parliament will sponsor legislation to put pressure on manufacturers and retailers of consumer products, such as cars and large domestic appliances, to give full guarantees to consumers.

The council's concern comes after a two-year study of consumers' difficulties under the present guarantee system. It found that manufacturers and retailers were often able to produce and market substandard goods because consumers were uncertain of their statutory

The council wants manufacturers and retailers to be able to offer firm guarantees that goods will be repaired, replaced or a refund offered. Such traders would advertise

their support for these guarantees, which would have the force of law. Other manufacturers and retailers would have to display notices saying that no full consumer guarantee was being offered.

unhappy with a product they had bought in the previous

repeated late last year, its com-pilers found that consumer dis-

nese investment in the EC.

during the conference. She intends to use her address to the meeting to focus

On her return to London

From this the OFT estimated that consumers spent £3.5m on unsatisfactory cars and accessories and £346m on unsa-tisfactory household appli-

Concern over substandard goods being offered for sale was first voiced by the Office of Fair Trading in a 1986 survey, which found that some 28 per cent of adults were

When the survey was atisfaction had risen to 38 per

• The Government is still considering its position on statutory consumer guarantees, Mr Eric Forth, the consumer

affairs minister, argues in an article published today. "Regulation is not always the best weapon for fighting the consumer interest," he says.

In the 100th issue of Consumer Affairs, published by he consumer relations bureau of the J Walter Thompson adverthe J Walter Thompson advertising agency, he says the Gov-ernment believes that "the best form of protection comes from consumers making well informed choices and acting in their own interests."

Consumers spending less on **furnishings**

HIGHER interest rates are taking a toll on consumer spending on household goods, such as furniture and soft furnishings, according to a new

study.

In recent years the hou hold goods sector - which also includes lighting, ceramics and floor coverings - has emerged as one of the most buoyant areas of consumer

That was due partly to the dynamic state of the housing market in the mid 1980s and partly to an increase of interest in interior design.
The study by the TMS Partnership shows that the recent

increases in interest rates have had a marked effect on expenditure on the home.
Spending on household goods rose by just 5 per cent in the first half of this year, compared with the first half of

1988. That represents a reduction in real terms and comes after an increase of 27 per cent in the second half of last year. The slowing in expenditure is partly a reflection of the fact that fewer people are moving home because of the depressed state of the property market. It is also attributable to the effect of higher mort-gage payments on disposable

The most dramatic decline is mong people who have moved house within the past five years and are therefore more likely to have hefty mortgages. They spent 8 per cent less on products such as furniture and floor coverings in the first half of the year.

That compares with an increase in expenditure of 19 per cent by people who have lived in their homes for five years or more and whose mortgages are likely to be smaller. Since the spring, there has been a pronounced increase in the incidence of short-time working and redundancies in both the carpet and furniture

The Consumer Survey. The TMS Partnership at Oxford House, 182 Upper Richmond Road, London SW15 2SH.

Building a better public image

Paul Cheeseright looks at the changing role of the architect

RCHITECTS have never been so busy.

The surge in commercial property building has seen to that. Never, though, has their work been the subject of such argument — Prince Charles has seen to that.

The verbal battle has been initial between the merits of

joined between the merits of modernism and classicism. Architects argue among them selves; they argue with the Prince; they find themselves in the polemical front line. Yet their role in the development of a building has changed.

The favourite scapegoat now is the building of the 1960s, generally considered graceless, frequently found technically wanting If you look at the way devel

opers used to instruct archi-tects then, observed Mr God-frey Bradman, chairman of Rosehaugh, responsible for some of the largest London office developments, "they would say 'get as much as possible on the site, see you at the topping out'; all the rest was just left. It might have taken five minutes."

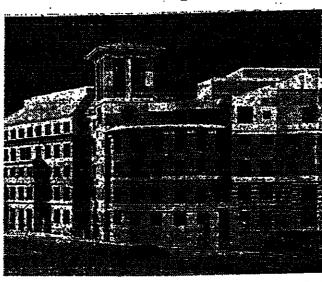
Left in charge in such a manner, architects were able to insist that their way was the best way. Hence their reputation for arrogance and the general reaction, given the results of the 1960s work, of distrust of them now.

But architects of the late 1980s are subject to a range of pressures that both make them more responsible and diminish their power. Their word is not likely to be the first or the last - it will be subsumed into team decisions. The design of a building will be a compromise. In the case of a speculative development, the architect will

have to respond in the first place to the demands of the planning authority. At meetings of the technical team of specialists, the architect will have to tailor technical ideas and those of design to meet the ssure of the agents, with

their perception of what potential tenants are likely to want.

The developer will be working within budgets set by reference to the rent that could be received for the building the lower the rent and the higher the wrice of the site the tighter. the price of the site, the tighter will be the squeeze on costs. There will not be much room



Angel Square, N. London: the architect's intricate design was possible only because of the surge in property prices

It was soon clear that Isling-

ton Council wanted something

different, something ornate and detailed to complement

the plain Bank of Scotland bulking next door. Rock Town-send, the London architect,

The Townsend designs, with their façades in different

shapes of stone, brickwork in

attitude of the planners,

was in a position of great influ-

ence. "They had a relatively free hand," Mr Brimfield said.

£100-a-sq-ft building costs Bal-four Beatty had first envisaged and £120, plus inflation, was bearable only because rents more than doubled during the

five years since the scheme was first mooted and because

the council provided Balfour

Beatty with some extra land so

that a larger building could be

of the building, now called Angel Court, the Rock Town-send influence diminished.

"The architect had to work

round detailed agency advice

When it came to the interior

constructed.

The difference between the

was brought in.

for the architect to indulge. In the case of building for an owner-occupier, the architect will have to fall in with unless he can convince otherwise, the ideas for use, sense of style and cost limits of his client. And those costs might be very tight. In the case of a manufacturing plant, the cost of the building is part of the cost of the product – the return on it can be quantified.

The architect's charges are usually in the range of 3 to 7 per cent of the value of the building contract: that is a matter of negotiation. Pressure to hold down their fees has diminished. Five years ago, competition among them was cut throat. Too much work and too few architects has ended

The vast part of their work does not attract the attention of Prince Charles. But the pres-sure on them differs from project to project.

That is evident from two examples, the first looked at from the point of view of the developer, the second from the point of view of the architect. Balfour Beatty Develop-ments entered a joint venture with Charlecote to develop a site next to the Angel under-ground station in Islington, north London. The company found a set of designs by Alan Murray Associates of Birmingfloor space is in line with com-mercial needs," Mr Brimfield

Now, as the project moves on, Rock Townsend's role is changing. "We have to take a slightly firmer role because now the thing is being built we have to see costs don't escalate any further." Mr Brimfield

 Johnsons, the Bristol architects, won a competition to design a new research and office complex for Pfizer, the pharmaceuticals group, at Sandwich, Kent. Pfizer had 65 acres next to existing plant

acres next to existing plant and it wanted not simply to extend its facilities, but to create something that locked more like a science park.

Pfizer. Johnsons divined early on, did not want any buildings that looked like Milton Keynes. So Johnsons went for the pavilion style with pitched roofs. The architects pitched roots. The architects have always been in the posi-tion of putting up proposals. Thus, explained Colin Bloch of Johnsons, eight options were presented in April 1987 with different elevations and different phasings for a three build-

ing project.
In some cases, design questions were going back to the Pfizer HQ in the US. Originally, for example, there was a proposal for flat façades with sun-screening clipped on; that was changed to providing

two colours, the Florentine tower, the clock and sundial, immediately added 20 per cent to costs, Mr Martin Brimfield, the Balfour Beatty development director, explained. shading by balconies.

Johnsons had to thread its way through both the engineering and research departments of Pfizer – the first n that case, then, the architect, because of the responsible for providing the latter, the ultimate user, with the building it wanted. Engineers want the functional at the most economic price.

The research people had other factors to bear in mind: the use of the building to convey publicly their idea of Pfizer, a place suitable to greet

"A budget wasn't given at the start," explained Mr Bloch. The scheme was devised and then costed. "It is design-led, rather than cost-led", he said. The cost of the project is around £35m and it is now up to Johnson, with the first building near completion, to keep within that. Kahn: maker of masterpleces, from St Quentin to see that the page 19

APPLICATION FORMS MUST BE LODGED AT THE BANK OF BNGLAND, NEW 7 COMPETITIVE APPLICATIONS ISSUES (IQ, NEW CHANGE, LONDON, EC4M 9AA NOT LATER THAN 10.00 A.M. ON FRIDAY, 29TH SEPTEMBER 1989, OR AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON

OFFER TO PURCHASE UP TO £400,000,000 12 per cent EXCHEQUER STOCK, 1999-2002

9 per cent EXCHEQUER STOCK, 2002 133 per cent TREASURY STOCK, 2000-2003

BY AUCTION ON AN OFFER PRICE BASIS

1 THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite applications from holders of 12 per cent Exchequer Stock, 1999-2002, 9 per cent Exchequer Stock, 2002 and 133 per cent Treasury Stock, 2000-2003 8 to sell ell or part of their holdings on the basis set out in this notice. The maximum amount of Stock to be purchased by the Bank of England under this offer will be £400,000,000 nominal of Stock.

2 This offer is open to stockholders whose holdings are on the Bank of England Register, the Bank of Ireland, Belfast, Register and the National Savings Stock Register.

3 Settlement in respect of applications which are accepted will be made in accordance with paragraphs 10 and 11 below on Monday, 2nd October 1989. 72 days accrued interest will be added to the price paid for purchases of 12 per cent Exchequer Stock, 1999-2002; 136 days accrued interest will be added to the price paid for purchases of 9 per cent Exchequer Stock 2002; and 69 days accrued interest will be added to the price paid for purchases of 132 per cent Treasury Stock, 2000-2003.

4 Stock in respect of which applications are accepted will be acquired by the Bank of England free from all liens, charges and encumbrances and with

5 Method of Application

Applications may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the printed application forms referred to in peragraph 12 below. Each form must comprise either one competitive application or one non-competitive application. either one competitive application or one non-competitive applic A separate application form must be completed for each Stock.

For holdings on the Bank of England Register or the Bank of Ireland,

In the case of stockholders who are not members of the Central Gits Office (CGO) Service, either the application form must be accompanied by stock certificates for at least the amount of Stock stated on the application form, or the stock transfer form incorporated in the application form must have been certified. The Bank of England will 11.15 a.m. on Thursday, 28th not accept forms for certification after 11.15 a.m. on Ther not accept forms for certification after 11.15 a.m. on Thersday, 28th September 1989. Separate arrangements have been made under which gilt-edged market makers may make competitive applications by telephone to the Bank of England not later than 10.00 a.m. on Friday, 29th September 1989. Application forms and stock certificates must be lodged at the Bank of England, New Issues (K), New Change, London, ECAM 9AA not later than 10.00 A.M. ON FRIDAY, 29TH SEPTEMBER 1989, or at any of the Branches or Agencies of the Bank of England not later than 3.30 P.M. ON THURSDAY, 28TH SEPTEMBER 1989.

For holdings on the National Savings Stock Register:

A National Savings application form must be accompanied by stock A National Savings application form must be accompanied by stock certificates for at least the amount of Stock stated on the application form. National Savings application forms and stock certificates must be received at the Bonds and Stock Office, Mythop Road, Marton, Blackpool, FY3 9YP not later than 10.00 A.M. ON FRIDAY, 29TH SEPTEMBER 1989.

Applications will not be revocable after 10.00 a.m. on Friday, 29th September 1989.

6 Competitive applications must be for a minimum of £100,000 nominal of Stock; non-competitive applications must be for a minimum of £1,000 BANK OF ENGLAND LONDON limits, applications may be made in multiples of one penny.

15th September 198

Each competitive application must be for one amount of Stock and at one price expressed as a multiple of 1/32nd of £1 per £100 nominel of Stock and must be for a minimum of £100,000 nominel of Stock,

The Bank of England reserve the right to reject any competitive application or part of any competitive application. Competitive applications will be ranked in ascending order of price for each Stock and applications will be accepted from stockholders whose competitive applications are at or below the highest price at which the Bank of England decide that any competitive application should be accepted for that Stock ("the highest accepted price"). STOCKHOLDERS WHOSE COMPETITIVE APPLICATIONS ARE ACCEPTED WILL BE PAID AT THE PRICES AT WHICH THEY APPLIED. For each Stock, competit applications which are accepted and which are made at prices below the highest accepted price will be accepted in full; competitive applications which are accepted and which are made at the highest accepted price may be accepted in full or in part only.

NON-COMPETITIVE APPLICATIONS

A non-competitive application must be for not less than £1,000 nominal and not more than £100,000 nominal of Stock.

Only one non-competitive application in respect of each Stock may be submitted for the benefit of any one person. Multiple applications or suspected multiple applications are liable to be rejected.

The Bank of England reserve the right to reject any non-col application. All non-competitive applications which are accepted will be accepted in full AT A PRICE FOR EACH STOCK ("the non-competitive price") EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE APPLICATIONS HAVE BEEN ACCEPTED FOR THAT STOCK, the average being weighted by reference to the amount accepted at each price at TO THE NEAREST MULTIPLE OF 1/32ND OF £1.

All applications under £100,000 nominal of Stock will be deemed to be non-competitive and, if accepted, will be accepted in full at the non-competitive price.

9 The Bank of England may accept applications in respect of only one or two of the Stocks and may purchase less than £400,000,000 nominal of Stock in total. The amount of each Stock purchased will be determined by

10 Payment

For holdings on the Bank of England Register or the Bank of Ireland,

Stockholders whose applications are accepted and who are members of the CGO Service will be notified by telephone of the amount of Stock in respect of which their applications have been accepted by 10.00 a.m. on Monday, 2nd October 1989. Payments to CGO Service members in respect of Stock purchased under this offer will be made by assured payment through the CGO Service against delivery of the Stock on Monday, 2nd October 1989. Payments of £7,000 and above to other stockholders will be made through the Clearing House Automated Payments System on Monday, 2nd October 1989 if the relevant details have been given in Section E of the application form. In all other cases payment will be made by cheque despatched on Monday, 2nd October 1989 by first cless mail at the risk of the stockholder to the address shown in the application form. Stockholders whose applications are accepted and who are member

For holdings on the National Savings Stock Register:

Payments to stockholders whose applications are accepted will be made by crossed warrant sent by mail by the Department for National Savings. 11 Balance certificates, where applicable, will be despatched after registration of the transfer of the Stock purchased.

12 Application forms (incorporating stock transfer forms), National Savin application forms into potating stock transfer rooms, naponal savings application forms and copies of this notice may be obtained at the Bank of England, New Issues, New Change, London, EC4M SAA, or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callander Street, Belfast, BT1 5EN; or at any office of The International Stock Exchange in the United Kingdom.

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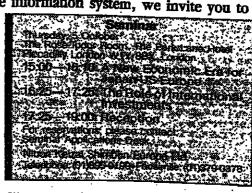
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CONSIDRABLE uncertainty among Hitish industrialists about frure prospects is revealed y the latest monthly survey of industrial trends by the Confideration of British industry he employers' organisation.

The CI survey for Sentember discises that both home and expt order books have continue to weaken in recent weeks at predicts that there will be a further growth in manufacting output over the

Decembequarter.
Mr Drid Wrigglesworth,
chairms of the CBI's Ecochairmal of the CBI's Eco-nomic Camiffee, commenting that the economy is clearly slowing response to the high interest the policies and other measure taken by Mr Nigel Lawson, he Chancellor of the Excheque, says: "The Govern-ment win need to watch the situation carefully. The eco-nomic wining lights are flashnomic wining lights are flashing amb. We must take great

care the do not turn to red."
However, the significance of last weeks announcement of a sharp fil in the domestic annual filation rate to 7.3 per cent in ugust will be height-ened b Mr Wrigglesworth's commen that the Retail Price Index as been influencing wage ejectations, making it more discult for British industry to ontain unit labour

The BI's monthly trends enquirybased on replies to a

questionnaire sent to 1,411 UK companies, says that output expectations are at their lowest since January 1983. Order books continue to reflect the weakening in demand since last year, with 29 per cent of the survey regarding current order books as below normal. About 28 per cent saw their export order books in the same light.

A similar pacture of slowing demand is also disclosed by the survey's conclusion that stocks of finished goods are still more than enough to meet current sales needs. Some 79 per cent of the firms surveyed regard their stocks of finished goods as adequate, or more than adequate, for needed. as anequare, or more than anequate, for present demand.
On output prospects, the halance of opinion reported by the survey has turned slightly negative for the first time for nearly seven years, although the overall prediction is that output is likely to remain broadly, stable in the final broadly stable in the final quarter of this year. Only 20 per cent of those surveyed expect to increase output, and 21 per cent predict a decline.
Along with output and stocks expectations is the prediction by 64 per cent of partic-ipants that prices will remain unchanged. The CBI says that, with 21 per cent still expecting to raise prices, compared with 25 per cent in the August sur-

Power users complain about supply proposal

of electicity have told the Government they are "horrified" b proposals from the supply adustry which would limit copetition after it is pri-

In a liter to Mr John Wakeham, th Energy Secretary, the Energy htensive Users' Group, e are amazed at the blatanc of what is now apparently poposed and that the major energtors should sub-

They were referring to recent ress reports of a pro-posal fron the 12 area electricating capanies which will be formed om the present Cen-tral Ectricity Generating Board, hich set out the basis

The idustry proposed that competion should be limited to thos customers individually tains at least iMegaWatt ally taing at least Imegawatt
of powr – altogether about 30
per cen of the electricity market. However, the two generating comanies, National Power
and PwerGen, would agree
not tocompete for more than
half others gustomers in any half othese customers in any one ara - leaving the other half ir any new companies whichney spring up when the mark is opened. In exchange, the garators would be given long-pm contracts guarantee-ing then the full recovery of their chital costs, plus profit. The 2 distribution compa-

nies wold be granted monopoly frachises for the remaining 70 er cent of customers. The letter to Mr Wakeham from Mr Ian Blakey, secretary of the isers' group, says it would be "potentially disas-trous" in the Government to go ahea with the incorpora-tion of the new electricity companies on January 1 as planned, because larger users would not have enough time to work out reasonable contractual terms with suppliers.

vey, price rises are likely to moderate.

The letter says: "We have long detected a desire among the present area boards to exploit their monopoly to the detriment of consumers."

It adds that it was "intolerahie" that only a properties of the market of 1MW-plus cus-tomers would be available for al Power and PowerGen.

The effect will be to create competition among customers, rather than the suppliers". This he says would be a "far-cry" from the proposals in the draft law on electricity privati-sation, which envisaged vigor-ous competition in the genera-tion and supply markets.

The Department of Industry objected on competition grounds earlier this year to the idea that electricity supplies to area hoards should be tied up in long term or property. in long-term contracts.

Mr Wakeham is said to be studying the industry's propos-als, but has made it clear that his priority is to stick to the Government's timetable for privatising the industry within this session of Parliament. He is also said to be concerned that the future of British Coal should not be jeopardised by arrangements made within the electricity industry.

British Coal has told him that if unbridled competition and and short-term supply con-tracts were allowed in electricity, supply coal contracts would also have to be short-term. Any resulting hig imports of cheap coal would threaten a new wave of pit clo-

Pressure on pay 'will

UK NEWS

six months' By Charles Leadbeater,

Labour editor

remain for

PRESSURE for higher pay settlements will remain strong in Britain over the next six months despite last Friday's amouncement that the annual

amountement that the annual rate of inflation fell to 72 per cent in August, a report published today says.

The report by Income Data Services, the leading independent pay research group, casts doubt on whether the fall in the annual inflation rate, from 82 per cent in July will be 8.2 per cent in July, will be enough to stall the momentum which built up during pay bar-

gaining this summer.

The autumn and winter round of pay bargaining will start with a going rate of between 7.5 and 9 per cent, the

report says.
Unit wage costs in manufacturing will soon deteriorate markedly, it warns.
The research group says there was a significant rise in settlements between January, when most bunched between 6 and 8 per cent and this sumand 8 per cent and this sum-mer, when most deals bunched between 7.5 and 9 per cent.

its review of pay prospects for the coming year warns: "Pay settlements are likely to remain at this summer's levels through to the winter months, particularly if labour markets remain tight."
It continues: "This autumn

will be the first opportunity for many groups of workers to gain increases to compensate for higher inflation over the for higher inflation over the past nine months and higher housing costs." It says that although the August 1988 rises in mortgage rates no longer show up in the amualised inflation figures, "this does not mean mortgage payers are suddenly better off."

INS says that labour markets are likely to remain tight. Skill shortages will remain, despite

shortages will remain, despite slowing growth in output, as a result of the fall in the number of young people entering the labour market. Employers are becoming increasingly con-cerned that pay levels for grad-uates could jump before the

1992 single European market. The rate of inflation is forecast to decline to about 7 per cent by the end of this year. But this will be significantly above the level forecast earlier this year when more than 1.34m public sector workers received pay awards set by their pay review bodies.

Higher than forecast infla-

tion will fuel public sector pay demands, particularly from teachers who were awarded 6 per cent last April and nurses, who got 6.8 per cent, especially as these awards were followed by a set of public sector pay settlements worth 8.8 per cent

IDS predicts that manufacturing settlements will be influenced by deals at the car companies Ford and Nissan which will be between 9 and 9.5 per cent. The financial ser-vices sector is expected to continue to deliver most of its settlements above 8 per cent.
The price and pace of change, Page 18

 ImperiaL Chemical Indus-Imperial Chemical Industries, Britain's higgest manufacturing group, believes it will meet its target of employing roughly 400 new graduates this year, mainly for scientific and technical jobs, writes Peter Marsh. ICI has warned, however, that it expects greater ever, that it expects greater problems over the next few years because of the likely shortage of young people leav-ing the universities in the 1990s, largely for demographic



New Sunday paper makes sell-out debut

THE LAUNCH issue of the Sunday Correspondent, the first new quality national Sunday newspaper in Britain since 1961, appears to have been a

The new paper printed 680,000 copies, more than had been intended, at five print

By Ham the paper's circulation department estimated that between 90 and 95 per cent had been sold with reports from several parts of London of potential readers being unable to get copies.

Mr Peter Cole, the Sunday Correspondent editor, said yesterday: "I think perhaps we should have printed more copies." After the initial celebrations, the Correspondent

brations, the Correspondent staff will now have to brace themselves for the almost inevitable slide in circulation which follows the launch of any new title after the curios-

ity value has worn off.

Mr Cole said yesterday it would probably be the end of November before the paper knew what its future would be. The target is an average of 360,000 in its first year. Even rival editors yesterday were prepared to bestow at least grudging praise on the new title whose shareholders

include Prudential Assurance and the Chicago Tribune

Mr Donald Trelford, editor of The Observer, speaking on the Sky News programme The Editors, saw it as "interesting but not threatening to my readership," although he con-ceded that for a first edition it "remarkably profes-

On the same programme Mr Peregrine Worstborne, former editor of the Sunday Telegraph who now edits its four-page Opinion section, forecast that it could put The Observer on its back. "It's too successfully geared to do what The Observer used to, and I think it might well do it a hit better.
I think The Observer could well go out of business," he

What is certain is that the arrival of The Correspondent, the paper billed as neither Wapping nor Tiny, a reference to the bulk of The Sunday Times, which is printed in Wapping, east London, and the alleged editorial interference of Mr Roland Tiny Rowland the proprietor of The Observer, will bring a new competitive edge to the Sun-

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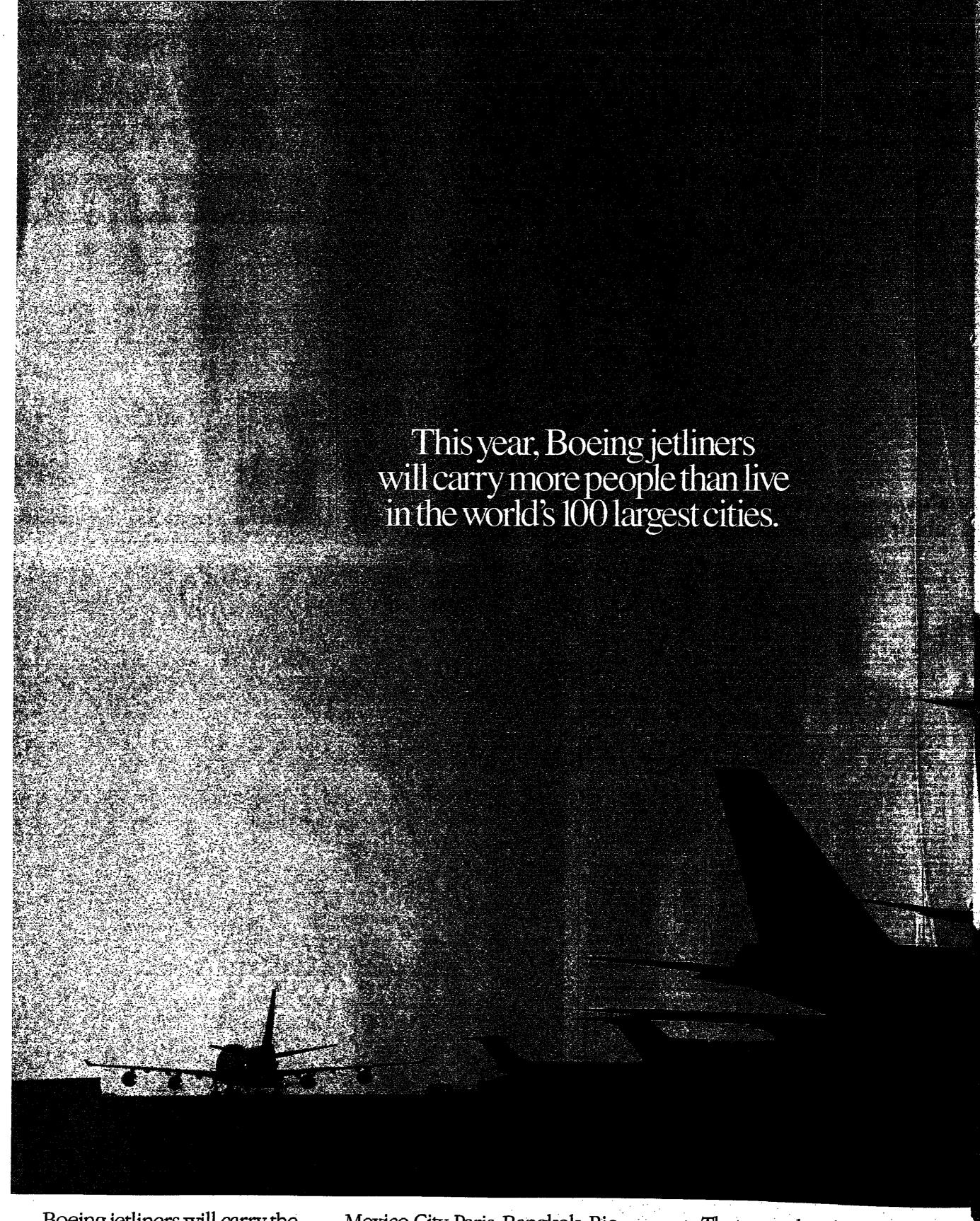
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MORE THAN 238m of new work has been announced by

sworth councils.
Salford City Council has awarded Laing North West a £3m order for phase three of its civic centre, while Laing Scot-

land has won a \$4.5m Gros-

venor Developments order for a retail and office project in

George St. Edinburgh
Laing Civil Engineering has
been asked by the Department
of Transport (Eastern Region)
to build the interchange on the

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New Issue September 18, 1989 This announcement appears as a matter of record only.

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being split into 39 separate serviced office units, each with independent access and park-Westdeutsche Landesbank ing facilities. Girozentrale

Each office will overlook an interior courtyard with landscaped gardens and a

> The building will have a three-storey beam and column frame with basement on mass concrete foundations.

A glazed feature entrance atrium will incorporate scenic lifts and marble clad walls

CONSTRUCTION CONTRACTS

Taylor Woodrow awarded **Tube station rebuild**

THE ANGEL, Islington, one of London's best known Underground stations, is to be rebuilt by Taylor Woodrow Manage the contract, Taylor Woodrow will be responsible for buying and ment Contracting. The contract is worth \$40m and is for overseeing and managing the design and construction work.

The station, on the Northern Line, at present has to be

The station, on the Northern Line, at present has to be closed periodically to prevent congestion.

The company will be responsible for fitting out a new, larger ticket hall in the basement of an office block being developed next door to the developed next door to the existing station. From there, escalator shafts and pilot tun-nels for the new platform concourse will be sunk.

The station now has lift access to and from the single

TEAM Management (Southern)

don, for the Harleyford Road

Partnership.
The contract will provide

111,000 sq ft of lettable space.
There will be underground parking for 150 cars and the development will be capable of

has won the £8m managemen contract for an office develop-ment at Vauxhall Gate, Lon-

Office work

in London

worth £8m

in Europe.
Starting in November,
TWMC will sink a vertical
shaft to track level. From this,
the new platform and running tunnels will be driven adjacent to the existing one. The tun-nels and the step plate junc-tions at either end will be built while the station is being used. The work will be scheduled

to avoid disruption to the pub-lic. Commissioning of the new escalators will allow removal

cal work will be by London Underground.
TWMC will be responsible

TWMC will be responsible for the design co-ordination and for detailed design which will be carried out by Taylor Woodrow Group companies Taywood Engineering and Taymech. Escalator design will be by a specialist sub-contractor.

Northcroft, Neighbour and Nicholson will be quantity sur-

work has been announced by John Laing Construction. In Bristol, Laing Management Contracting has started work as construction manager on a £17.5m office development for Standard Life Assurance while Laine Southern is to while Laing Southern is to design and build a £6.9m lei-sure pool and library complex in Griffin St, Deptford. Leicester Square to Laing Southern has also won contracts for work on housing estates for Lambeth and Wand-

TAYLOR WOODROW group has also been awarded the contract for building a primary sub-station in another of Lon-don's landmarks, Leicester Square. It will be built under the south end of Leicester Square Gardens and is needed to meet growing demand for

electricity in the area.

Planned to be built on three levels down to a depth of 13.5m, the £7m structure will house three transformers, ancillary equipment and

Ground conditions will require more than 180 foundarequire more than 180 founda-tion piles being sunk. Over these will be laid a reinforced concrete basement slab. A dia-phragm wall 800mm thick will enclose the whole project. Internal floors will be built on a concrete encased steel frame.

A key element in the con-

CONTRACTS worth more than £23m have been won by Trafal-gar House building and civil

engineering companies.
Willett is to build five two-

storey office units on the Southfields Business Park in Basildon in a \$2.500 project for Trafalgar House Basthess

in Leeds the company has

been asked to fit out the

new Marks and Spencer satel-

In Southampton it will pro-

vide external weather proofing to an existing block of flats for

the city council and at Woking it has won a \$2.75m order to

NORWEST HOLST has started work on a £12m contract to

build vehicle access structures to the train loading platforms at Folkestone's Channel tunnel

These comprise a 320m long multiple span bridge over the tunnel terminal tracks with

JOHN BROWN, a Trafalgar

The first is for the detailed design, engineering and pro-

House subsidiary, has been awarded two contracts, worth £19m, by BP Petroleum Devel-

opment, for its Bruce field.

Trafalgar House to

fit out Leeds store

Bridge for tunnel access

Oil field jobs for John Brown

tract will be the preservation of five of the square's plane trees from root and above sur-face damage. This will entail temporary site cover to prevent ground compaction, pro-tective cladding of the trunks

phragm wall.

Taylor Woodrow Construc-tion has already appointed the main sub-contractor for the project. Piling and building of the diaphragm wall will be by Cementation. TWC will also be responsible for the brickwork renewal of internal walls, steel door installation, mechanical venti-lation, plumbing, drainage and sanitary engineering.

T.H. Technology is the sec-

ond Trafalgar House company to be awarded an appointment

struction. The first was Cemen-

The work covers hospitality

and press boxes and interview. ture and changing rooms Gammon Construction,

owned jointly by Trafalgar House and Jardine Matheson,

has been awarded a series of

contracts totalling £14m for

work on Hong Kong Island and

access ramps to platform level. The company is also respon-

sible for constructing the track troughs between the platforms, ready for the track-laying

works, and for extensive provi-sion of service ducts and foul and surface water drain-

have sub-station

and possibly some tree canopy shielding.

A further difficulty will be the protection of an adjacent brick-built Victorian sewer, about 4 5m underground and about 4.5m underground and close to the sub-station's dia-

A13 road in Thurrock, which will serve the Lakeside shopping centre which is due to open in autumn next year. **Beazer wins**

scheme

BRAZER Construction London has started work on a £5.7m rehabilitation/refurbishment contract by the London borough of Tower Hamlets. Work includes structural repairs, roof renewal and environmental improvements, and is scheduled for completion in

Another Beazer Regional Construction subsidiary, azer Construction Southern. has started on a £3.5m office development at Crown House, Uxbridge Road, Rickman-sworth. The low-rise block, a en the new sports centre at the Oval Czicket Ground for the design of the mechanical and matrical services for Eve Conjoint project between Beazer Ventures and Albany House Developments, will provide 8,250 sq ft of offices and will be completed in March.

MID WALES

The Financial Times proposes to publish this

survey on: 3rd November 1989

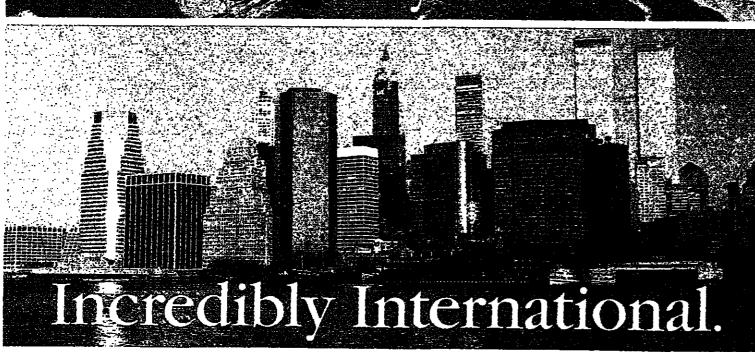
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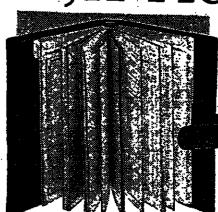
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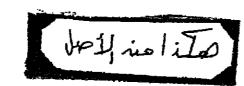
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CEGELEC. WHEREVER THE PRESENT HAS A FUTURE.

new vocabulary in the past few years. Phrases such as "just-in-time" production, "world-class manufactur-ing", and CAD-CAM all bear witness to the accelerating pace of technological change

In its wake has come a growing debate about whether this new environment requires as radical an approach to manage ment accountancy as to management in general. The latest contribution to this came last week in a report published by the UK's Chartered Institute of

Management Accountants.*
According to one school of ditional accounting techniques is not merely theoretically unsound, but a recipe for business disaster. This doom-laden prognosis has been advanced strenuously by business school academics in the US and their followers in the consultancy

"Today's management accounting information, driven by the procedures and cycle of the organisation's financial reporting system, is too late, too aggregated, and too distorted to be relevant for managers' planning and control decisions," contended Professors Robert Kaplan and Thomas Johnson in the first sentence of their seminal book on the subject. Relevance

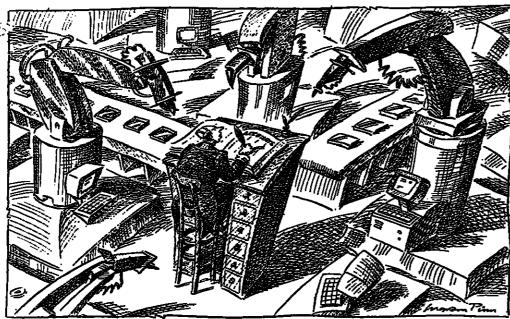
Although published two years ago, and trailed in jour-nal articles for several years before that, the warnings sounded by Kaplan – a Harvard Business School professor are still reverberating around manufacturing indus-try on both sides of the Atlan-

Kaplan's central argument is that managers using informa-tion derived from wrong accounting criteria - particu-larly those dictated by the requirements of short-term financial reporting - receive misleading information and consequently take the wrong decisions on crucial issues such as product mix or capital

In fierce markets where a company cannot dictate prices, the result can be a dramatic decline in competitiveness and a slide into losses. More important than the well-being of an individual company, Kaplan warned, was the probable adverse effect on whole indus-tries, indeed on national economies, as trade battles intensi-fied with the Japanese and other Pacific Rim countries.

Why manufacturing needs new accounts

David Waller assesses the dangers to competitiveness of sticking to conventional ways of determining true product costs



Kaplan suggested that manement accountancy required a revolution to match the revolution in manufacturing technology. He advocated a move towards a more sophisticated analysis of the costs that go into making a product. More radical, from the point of view of the traditional accountant, was the recommendation that managers place more reliance on non-financial criteria. These include the number of unexpected machine failures, ratios preventive and corrective maintenance to total mainte-nance and reject ratios - all part of a drive to monitor quality and not just costs.

This view is not shared by the CIMA report, which argues for a gradualist approach - as suggested by its title: "Management Accounting: Evolution Not Revolution." But the report, written by Professor Michael Bromwich and Alnoor Bhimani of the London School of Economics, does acknowledge a degree of obsolescence in a number of important

The key anomaly arises when sharing out overheads to determine the true cost of a product. The report points out

that overheads - ie costs which cannot be tied directly to the process of manufactur-ing a given product - are generally allocated to a product with reference to the hours worked by staff on the shop-

Is this not anachronistic, if the only workers there are minding the machines? Kaplan and Johnson visited one factory where direct labour accounted for only 4 per cent of total costs. Yet 65 per cent of the plant's cost system was focused on direct labour.

By following this approach,

distortions can easily arise: for start, a very small alteration in the number of direct labour hours worked has a dramatic - and wholly unrealistic effect on the distribution of costs from product to product.
"After all," observed Kaplan and Johnson in Relevance Lost, "when product costs are

reported with five or six significant digits, who would suspect that the first digit is wrong?" What happens is that any roduct which uses relatively large amounts of direct labour begins to look very expensive. Accordingly, it may seem

cheaper to buy in such mass-

production goods from a subcontractor and concentrate one's resources on low-volume high-value goods which require less direct labour. But these products may absorb the majority of the overhead. Management may become

Management may become preoccupied with recording labour time and explaining tiny variances against budget, while ignoring the basic fact that direct labour costs are a small proportion of the total.

This need for the conceptual bendes between a weekens barrier between overhead and direct costs to come down is the thrust of both Kaplan's work and the CIMA report. But the latter's recommendations are framed in the language of evolution and compromise,

Kaplan is much more specific: for him the solution is something called "activity cost-

which may all too easily

encourage inertia and compla-

cency on the part of UK indus-

ing".
His first step is to identify the activities which go into making a widget: these could break down into purchasing, production, tooling design, administration and so on. The next, and crucial, step is to

identify the factors which influence the costs of a particular activity (jargon refers to these as "cost drivers"). For instance, the major cost driver for the purchasing department may be the number of suppliers with which it has to deal; an increase in suppliers may have a far greater effect than an increase in the number of

These cost drivers are then used to help allocate to each product the costs of particular activities. If product A requires a relationship with 10 outside suppliers while product B requires only one, then product A carries a much greater share of the purchasing department's of the purchasing department's

This is repeated for each cos driver, building up a full pic-ture of costs related to each product. The result is a much more precise allocation of over-heads between products than a simple division of all costs into

direct and fixed.

CIMA's report plays down activity costing but endorses one of Kaplan's key contentions: that UK companies should take a leaf out of the Japanese book and pay attention to non-financial criteria.

In Japan "factors such as In Japan, "factors such as desired market share, cycle time, reject rates and innova tion are given more weight in managerial decision-making than calculative exercises about financial viability." More specifically, products are priced with reference to their marketability – at a level designed to win a given market share - rather than on a

cost-plus basis. There appears to have been no industry-wide research into how many western companies have adopted such an approach in practice, although anecdotal evidence suggests that US companies are more aware of the problems – and the possible solution – than their counterparts in the UK. Nor is there comprehensive data on how activity costing — clearly a fiendishly difficult thing to design, implement and audit actually benefits profits.

*Management Accounting: Evolution Not Revolution. M Bromwich and A Bhimani of the London School of Economics. Available from: Publications Department, CIMA, 63 Portland Place, London W1. Price £9.95 plus 75p for UK

delivery, £1.50 overseas.

*** Relevance Lost: the Rise
and Fall of Management
Accounting. H Thomas Johnson
and Robert S Kaplan, Harvard Business School Press (1987). Additional research by Richard Waters.

Joint ventures

Where Europe falls short

Christopher Lorenz on the case for more collaboration

he imminent carve up of Plessey by its fellow British electronics company, GEC, in concert with the giant Siemens of West Ger-many, has been attacked by critics as the triumph of oligop-oly over entrepreneurship. But, in spite of the managerial complexity and potential for con-flict within alliances, more such intra-European collabora-tion is needed if Europe's tech-nology-intensive companies are to avoid being "balkanised" still further according to a

still further, according to a leading American consultancy. The GEC Stemens collabora-tion is a first class example [of collaboration] between two previously improbable part-ners," says the Stanford Research Institute (SRI), adding that the number of other "cross-European linkages

(is) ... too low for comfort." Commenting on the results of a study it has made of the attitudes of 36 European, US and Japanese companies towards technology alliances, SRI warns technology-inten-sive British companies in particular that they are uniquely disadvantaged in Europe by what it calls "casino capitalism". Partnering in continental Europe should now become a "must", it advises.

For European companies as a whole, the study's catalogue of warnings makes sober reading. Japanese companies are taking a more pro-active role in the establishment of alliances, it suggests, while most Europeans (and Americans)

occupy a reactive position. The ham and eggs syndrome

SIEMENS may have been forced by takeover hurdles into using joint ventures to break into Britain and other markets where its presence has been weak (see above), but that does not mean its managers are all comfortable with this strategy.

In a paradoxical coincidence, Siemens' joint success this month with GEC in gaining control of Plessey — and pay-ing the way for the establish-ment of several GEC alliances — was marked by the European publication of a book in

Not only that, but European companies tend to have rela-tively unclear objectives for their alliances. As SRI says: This is clearly a mistake."

European companies may also have unrealistic expectations that alliances will help them exploit their own technology, the consultancy suggests. With more and more Japanese companies negotiating allicompanies negotiating alli-ances primarily in order to gain access to the single Euro-pean market, continental and UK companies "desperately need to negotiate for reciproc-ity." In other words, they have been siving away something been giving away something the Japanese are crying out

SRI also reports that European alliance partners, like their American counterparts, tend to delegate responsibility for an alliance to project managers who are not senior enough, or are not suitably qualified, to exploit its strate-

gic potential.

Though the main brunt of SRFs criticism falls on European companies, the study also reports that most collaboration reports that most collaboration partners - including the Japanese and Americans - are still not applying general rules for entering and managing technology alliances.

The tendency to deal with

alliances on a "case-by-case" basis seems at odds with their highly risky nature, says SRI, and with the importance most companies claim to attach to

For half the respondents, about 30 per cent of their total

which, on behalf of the com-

pany as a whole, a senior Sie-

mens manager disparages alli-

ances in no uncertain terms.

The book, International
Joint Ventures in Action, by
Susan Goldenberg*, was first
published last year in the US.

It sheds useful light on why
certain leading companies —
including Siemens — relegate

them "to last place in their cor-

porate strategies," according to

Goldenberg, whose research was done before the GEC deals.

image, a Siemens manager called Joerg Wehr explains in the book that this is because "the purpose of joint ventures

is to produce ham and eggs.

In a memorable if convoluted

ances in no uncertain terms.

business was already involved in alliances. Although cost-sharing was a less significant motive for entering an alliance (for lases than SRI expected (far less weighty than exploiting others' technology, and access to oth-ers' markets), getting value for

money did emerge as by far the single greatest problem once an alliance was under way.

Only half the proportion of respondents cited the dangers of becoming alliance-dependent (16 per cent) and of one partner always gaining more than others (15 per cent). Other specific problems were "legal wrangles" and that alliances were "too complex to manage" (both nine per cent), with "net loss of proprietary technology" sur-prisingly low, at only seven per

Concern about the latter was, as expected, higher among Europeans and Americans than the Japanese. But this common awareness of risks does not explain why the European companies in SRI's sample expressed themselves pleased with the progress of their alliances, while aimost all the Americans were not (a quarter described their alliance

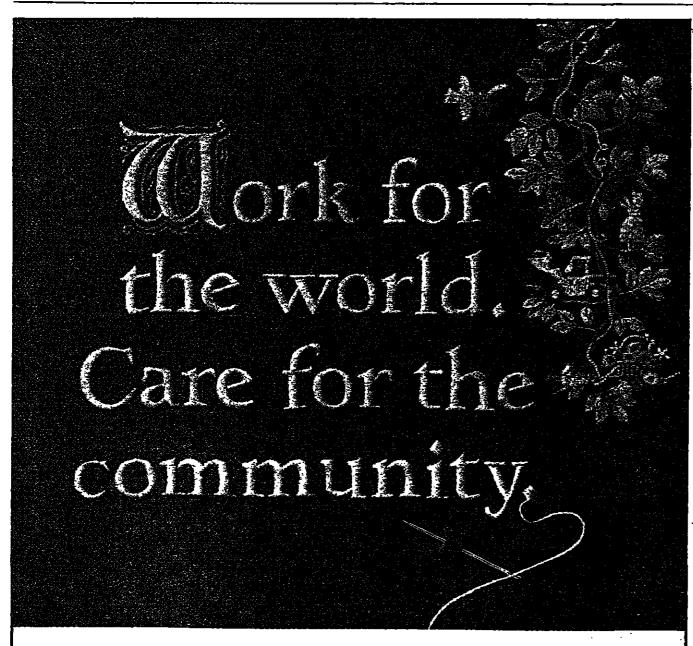
performance as "rotten").
One reason may be the Europeans' relative lack of clear objectives - that they may have been all too easy to sat-

Further details from Mark Bleakley, SRI International, Menlo Park House, 4 Addis-combe Road, Croydon CRO 5TT, England. Tel 01-686-5555.

But while the chicken only has to lay an egg, a pig must be slaughtered to produce ham. Thus the pig does not want to make its contribution. The same is true in a joint venture - neither partner wants to be the pig." Which, being translated, means that one partner in a joint venture usually loses out to the other. Wehr goes on to warn that "joint ventures entail management problems that are costly in the long

run. Whether his bosses would allow him to be so frank todaymust be doubtful. Which makes his views all the more valuable.

* Hutchinson, £25.



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Richard Paul Fink

Der Freischütz

NEW THEATRE, CARDIFF

Der Freischütz it remains, not "The Free Shot" or whateyer, even though Weber's masterplece is sung mostly in English in Welsh National Opera's new staging. Much else though has been translated; in their efforts to make credible the essence of this most folksily Germanic of all 19th-century operas, pro-ducer André Engel and designer Nick Rieti have transplanted the action from Bohe-mian woods and fields to an expatriate German community somewhere in the New World (the Appalachians possibly?) where the corn may be as high as an elephant's eye but traditions are being strenuously preserved while class structures gradually shift.

It is an intelligent, considered reworking generally fol-lowing the grain of the operarather than rubbing against it, and minimising the involun-tary guffaws that Kind's

libretto can produce. The action is confined indoors - airly timbered barns and meeting houses for the outer acts, a tent for Agathe's bed-room, and ne Wolf's Glen at all Kaspar summons his familiars and forges the bullets in the harn, resorting to his Old World litamies and the original German text to do so. The Huntsmen's Chorus in Act 3 community invokes its indigenous culture, parading banners with the eagle motif that a century later would represent a very different brand of German nationalism. Many of the visual symbols are teasingly double-edged: the Hermit bears the stigmata, but when he raises his bat at the final curtain it is to reveal a neat pair

of horns. Engel has supplied the dialogue, unobtrusively tailored to the transpositions, though its

delivery proves the produc-tion's weakest dramatic point: American accents come and go - in this context it does not help that both Max and Kaspar are sung by native Americans
- so that there are moments when it all really does seem more like Oklahoma! than a Volksoper. When music takes over, however, everything tightens: Peter Hirsch conducts the faster music with real intensity – the Wolf's Glen scene builds to a feroclous cli-max – though he lets lyrical passages sag sometimes. The WNO orchestra's deficiencies are found out by this peril-ously exposed score but the rhythms are crisp and the tex-

tures agreeably astringent. The cast is competent too, without ever being outstanding. Joseph Evans takes an act to focus Max, but sings with dryish urgency from then on; Richard Paul Fink is required

to conduct Kaspar's Act 2 dia logue with Samiel as a selfcommunion and turns it into tour de force (Geoffrey Moses is credited with the diabolic part in the cast list, but his contri-bution appears to be confined to echoing the counting of the bullets from loudspeakers high in the auditorium). There is a perky Annchen from Eirian Davies, and capable, warm Agathe from Rita Cullis, though she suffers more than most from Hirsch's rather lin-gering treatment of the slower music. Good support from the smaller roles too, though the chorus is given little to do save deliver their lines cantiously. B plus all round for achievement then, in a work that is hard to realise in the contemporary theatre; once the components are run in it could well score even higher.

Andrew Clements

Uncle Vanya

LYTTELTON THEATRE

Whatever changes there might have been at the Moscow Art Theatre in recent years, the company's welcome return to London for just five performances of Chekhov's Uncle Vanya at the National Theatre reinforces the old impression of a crack ensemble working closely on a text they revere Post-modernism and the New Expressionism mean nothing in the Soviet theatre;

the Rustaveli are imbued with the richness of tradition, a style of heaviness. But the playing, as here, can be light as well as dense.

Innovation is not the right word, but if Oleg Yeftemov's production does have a new slant, it is in opening up the landscape of the Serebriakov dacha and surrounding territory to illustrate what the professor means by the impracti-cality of staying on. in a wordless prologue, we

see Sonya transfigured on a local tor while Vanya stirs blankly from his nap and struggles into the living room. The set then moves into action with verandahs and balconies opening into the garden, then

closing for various interiors.

The glum night-time revels involve a sort of stagehand's paperchase. We see Astrov leaving up a muddy mound; later, an illuminated façade orange vista of autumn farm-

Even at the end, after the



I M Smoktuovski and Ya K Lisovskaya

departing bells and hooves are overlaid with cleadas and Vanya's clicking abacus, the set starts moving around during Soaya's tear-stained epiphany, so that the doomed estate manager can be spotlit with a single lit window picked out in

the distance. London will remember Inno-London will remember inno-tenti Smoktunovski from his performance in a World Thea-tre Season presentation of The Idiot. And his blond chrematic Hamlet was unforgettably elec-

trifying.
As Vanya, he is grizzled and grey, but still a very fine figure just going to waste. I miss the simmering rage of Michael

struck human oak last year. But as Brian Cox says in the programme, you can tell his relationship with Yefremov's sprucely impassioned Astrov runs deep in years There is nothing hysterical

or overdone, the gestures are of an entirely natural elegance. The hidden morphine is retrieved not from a drawer but from his drawers, and he flings down the gun after the failed murder bid with as much amoyance as self-loath-

This sequence is also funny, as it should be, from the moment he appears in the

doorway with a tub of flowers to find the professor's languor-ous wife, Yelena, in the arms of his best friend. And when the porky professor drops his bombshall, he is chased from pillar to post like a stuck pig. All the small parts are played with the detail and veracity you would expect. The simultaneous translation sounds fleetingly like Michael Frayn's, which sounds odd when Ya K Lisovskaya's mov-ing Sonya is busy piecing together the sort of beating,

sentimental reading Frayn

ARTS GUIDE

Michael Coveney

ARCHITECTURE

Kahn: maker of masterpieces

Tt has been compared with the Parthenon, and is certainly visited as an architectural shrine in the Texan sun. The Kimbell Art Museum at Fort Worth, Texas, designed by the architect Louis Kahn during the period 1967-1972, undoubtedly has the status of an established masterpiece. I visited it again last week, partly as a regular architectural pligrimage but also because there are major plans afoot that will radically

alter this great building.

Every museum in the world seems to want to grow. The wisdom of this is uncertain: I can foresee long empty corridors and galleries unvisited, simply because there is a point at which museums become exhausting and any aesthetic pleasure is overcome by a sense of surfeit. However, this does not daunt trustees and museum directors; the perfect Kimbell is to grow.

Before considering the proposed large extensions, it is worthwhile to look again at Kahn, and the Kimbell, and see what the qualities are in both what the quantes are in both architect and the building that are so remarkable. In these days of long overdue and fervent architectural debate, Kahn is a key figure. He died suddenly in 1974 aged 73. His great talent flowered late, and when he died some of his best work in India and Rangladesh work in India and Bangladesh was just beginning to rise, and his drawing board was covered by major projects for American cities. His best known buildings are the Salk Institute at La Jolla in California; The Exeter Library in New Hamp-shire; the Kimbell Museum in Fort Worth and the Yale Centre for British Art, which was completed in 1977. Kahn built for ten years

after a lifetime of learning. He studied architecture at the University of Pennsylvania at Philadelphia under Paul Cret, who taught in the classical Beaux Arts tradition. In Europe he acquired a particular love of medieval architecture and antiquity. With this firm basis, his buildings developed along entirely modern paths, using structural techniques and materials that defined what he

called an eternal order. He was something of a mystic about architecture and as a teacher he would meditate

of light." He would ask materials what they "wished" to do. Bricks "wanted" to be arches, large spaces "asked" for the

support of concrete.

What he achieved was a remarkable fusion of past and present in contemporary reality. At the Kimbell the galleries are vaulted and naturally lit. "My mind is full of Roman greatness," Kahn wrote at the time, but saw his vaults at the museum as "rising not high, not in an august manner, but somebow appropriate to the size of the individual. And its feeling of being home and being safe came to mind."

The vaults do make for beau-tiful rooms, with the use of fine but simple materials, travertine walls and quarter sawn white oak floors. He also understood paintings. "I thought of the painter who paints by light, and the changing moods of a painting under natural light. I wished to create more when painting and ate rooms where paintings and sculptures could feel suitable and comfortable." He had an unusual humility for an architect but this did not prevent him from designing and building powerful and lasting architecture.

The proposal to add two new wings to the Kimbell is a decision of major architectural carried out by the architect Romola Giurgola, who is based in New York and best known for his winning and built design for the new parliament in Canberra. The brief is a simple one: to copy Kahn. Even the master's working drawings will be used.

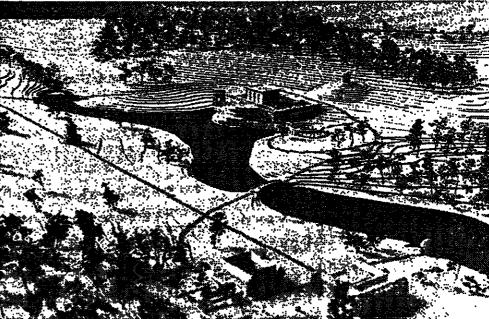
But there must be an anxiety, particularly about the sit-ing of the wings. They are to be added by simple links to each end of the existing gal-leries. One will be built over the existing car park and one over the Nougouchi garden. The principal new use will be the principal new use will be to provide exhibition space, as the director Edmund Pillsbury said, "museums nowadays are event oriented," and it is exhi-hitions that ensure a high level of public support

I fervently hope that the new wings will not damage the Kahn masterpiece. It is tempt-ing to wonder what Kahn would have proposed; it is only possible to guess and my guess is that he would not have added to something he clearly saw as a complete whole. There is the most marvellous sense of visiting a large, but not too large, private house when you go to the Kimbell and the serious danger is that the large new wings will make the place feel more and more

The result of the design compe tition for a new opera house that may be built at Compton Verney in Warwickshire was announced last week. John Outram from England and Henning Larsen from Denmark were the two libalists presented to the council of the pro-posed theatre for them to select the winner. They chose the Danish architect Henning Larsen, who is best known for his monumental Ministry of Foreign Affairs in Riyadh, Saudi Arabia. The winning designs of the six shortlisted firms can be seen at the Royal Academy until the September 24 and from October 4-15 at the

Ikon Gallery, in Birmingham. The judges had a hard task as all six schemes were, within their own terms, of a very high quality. It is interesting that the two British entries (Stirling and Outram) which best under stood the difficulty of building a giant neighbour to 18th cen-tury buildings by Vanbrugh, Adam and Gibbs in a Capability Brown park, were overruled in favour of a revival of Nordic classicism. It was a brave com-petition and the only problem now is to raise the £30m which, it has to be said, doesn't sound nearly enough

Colin Amery



Henning Larsen's winning design for Compton Verney

ALMEIDA THEATRE

The Royal Shakespeare Company's season at its Islington outpost opens with a paradox: a production of *Lear* without great acting or famous names which is as true as a dye, goes straight to the heart of the play, and with its accu-mulated impact is infinitely more moving than vaunted productions at the National Theatre or the Old Vic in

The producer Cicely Berry, the company's Director of Voice, sets out to tell the story. As so often in Shakespeare, when left to themselves and uttered simply the words have a terrible resonance. Never has Kent's departing couplet, "I have a journey, sir, shortly to go/My master calls me, I must not saw no " set off such almost not say no," set off such almost religious echoes and reverberations with its simplicity. Whole scenes make more sense than usual. The passage where the disguised Edgar pretends to lead his blinded father to the edge of a cliff can seem both pointless and interminable. For

once Edgar's almost throwaway explanation ("Why I do trifle thus with his despair/is done to cure it") utterly con-

vinces. The episode falls per-fectly into place.

Not that the production lacks imagination in such touches as the whispered offstage echoes of onstage lines, or the entrance of the dead to stand, heads bowed, as witnesses of the closing scene. The opening dialogue is hushed and tense as the nobles await the king's entrance; evidently Lear is still a figure of some awe. Only just. We catch him on the cusp: a plausible example of the vigorous man of action falling to pieces at retirement. Finding his servant in the stocks he rages pet-tishly, his voice shrill, breaking with outraged dignity in anticipation of senility; he rants, to the embarrassment of his adherents, and the famous description of George III's first public slip into madness comes to mind: "those that loved him wept; those that did not love

him laughed." Did Miss Berry work on The Hollow Crown? Chris Dyer's set is backed by

a catwalk, steps on either side, centred on a low platform that falls with a crash to provide the rocky unevenness of sav-age nature. The exterior of Mad Tom's hovel is that familiar architectural item of recent years, an edifice of cardboard boxes and blankets. The interior switches to the open stage, for once just acceptable in this play of contrasting warm receptiveness and bitter exclusion. Costumes are all-purpose token medieval: broad belts and tunics mix with trainers tracksuits and open-necked shirts in a visual shorthand immediately identifiable for a potential young audience. The sword fight between Edgar and his bastard brother is smashing. And Gloucester's blinding, despite a melodramatic momentary dimming of the lights, shirks nothing, the resultant gore evincing the soggy, gleaning texture of

The total, then, is greater than the sum of the parts. As Lear, Richard Haddon Haines' precisely spoken performance makes the "thunder" we expect from every interpreter of the role (as with Othello) irrele-

Patrick Miller's Fool in white-faced clown makeup is a visually haunting figure who sometimes gabbles. The Edmund speaks his lines well enough but has scarcely any character; this villain is less than skin-deep. Acting bonours go to James Purefoy's Edgar, unexaggerated in feigned mad-ness, unpretentiously heroic, who could certainly take his performance to larger and more august stages. But the image that remains is that of an old man who was once a king, crowned with wild flowers, babbling to a blind servant somewhere in purgatory. No wonder the programme quotes Samuel Beckett.

Martin Hoyle

INTERNATIONAL FUND MANAGEMENT

The Financial Times proposes to publish a Survey on the above on

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September 18-25

OPERA AND BALLET

Royal Opera, Covent Garden.
The season opens with Ripoletto,
in the underrated Nuria Espert
production first shown last year.
The cast includes Inguar Wixell,
Leontina Vaduva and Jerry Hadley, and the conductor is Sian
Rivards. Edwards.
English National Opera, Coliseum. The first new production of the ENO season is A Masked

Ball, by the team (moducer David Alden, designer David Fielding, conductor Mark Elder) responsible for the company's controversial Simon Boccanegra. controversial Simon Bocconego Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie take the leading roles. Further performances of the unevenly sung revivals which opened the season – The Magic Plute, conducted by Lothar Zagrosek, with Thomas Randle, Zagrosek, with Indust italiate, Cathryn Pope, Alan Opte and John Connell; and *Katya Kaba-*noon, conducted by Albert Rosen, with Kathryn Harries, Pauline Tinsley, Edmund Barham, and Donald Adams.

New York City Ballet opens the 27th Paris International Dance-Festival with a George Balan-chine gala evening on Tuesday, continues with a Balanchine and continues with a Balanchine and Peter Martin evening on Wednesday and a Jerome Robbins even-ing on Thursday at the Theatre des Champs Elysées (4720887). Carbonne 14 arrives with a dance-theatre production - The Dormitory · from Canada at the Théatre de la Ville (48875442).

Staatsoper. Le Nozze di Figuro is conducted by Ivan Fischer, and sung by Margaret Price, Thomas Hampson and Horst Nitsche Rigoletto, conducted by Leopold Hager, has a cast including Patrizia Pace, Waltraud Winseuer and Hans Christian. Museurgsky's Chouchischina is conducted by Claudio Abbado and sung by Ludmila Schemtschuk, Heinz Zednik and Joanna Borowska.

Borowska.
Volksoper. The weeek's performances include Dic Zirkusprinzessin by Kalman; Die Fledermaus, Die Zauberflöte Der Zigeunerbaron, Hoffmanns Erzäh-kangen, Die lustige Wittoe and Die Csardasfürstin.

Théâtre Royal de la Monnaie The Monnaie Opera conducted by Sylvain Cambreling in Verdi's Falstaff. Jose Van Dam in the lead with Laurence Dale as Fenton, Ugo Benelli as Dr Cajas, Plableto Servette as Normalia as Normalia. Elzbieta Szmytka as Nannetta ami Livis Dudai as Mrs Quickly. Staged by ilvis Pasquai (Sun, Tues).

Opera: The new season starts with Jean Pierre Ponnelle's Fideto production with a cast led by Janis Martin (Leonore), Carol-Malone (Marzelline), Spas Wen-koff (Floresian), Jan-Hendrik Rootering(Rocco) and Gerd Feld-hoff (Pizarro), conducted by Horst Stein. Themagic flute has fine interpretations by Lucy Pea-cock, IsoideSiebert/Elife Hoberth, Kaith Lange Barry McPenial Keith Lewis, Barry McDaniel and Gudrun Sieber. Aida stars Julia Varady in the title role,

Bruna Baglioni, Giorgio Lamberti, George Fortune and Julien Robbins. Zar und Zimmermann-rounds off the week.

Der Troubadour is steered to triumph by Giorgio Zacanaro, Franco Bonisolli, Sharon Sweet, Nina Terentjewa outstanding in the leading roles, Der Barbier von Sevilla, sung in Italian, has-wonderful Gilbert Deflo produc-tion.

The new Aida production, by Jaques Karpo brings Rosalind-Plowright, Liviz Budzi, Lando Bartolini together and is exper-tlyconducted by Bonn's music director Dennis Russell Davies.

Frankfurt

Britten's Ein Sommernachtstruen's Em Sommeruchi-struum is respectable with sing-ers Jochen Kowalski, Audray Michael, David Bennent, Vladi-mir deKanel. Gyoergyi Benza repeats her much praised perfor-mance as Mimi in La Boehme.

Cologne

The rarely played one act operas by Rossini La Cambile di Matrimonto! R Signor Bruschino. fea-ture David Kuebler, John del Carlo, Teresa Ringholz, Janice Hall and Alberto Rinaldi. The suc-cessful Harry Kupfer Jenufa production has a first-rate cast ledby Eva Tamassy, Leonie Rysanek Gausmann, Linda Plech, GuenterNeumann, Alfed Kuhn and is conducted by cologne's new music director James Conlon. Also *Madame Butterfly*.

London Mozart Players

Friday's Mozart concert was the last "serious" Prom, the night before the closing jamboree. Jane Glover and the Lon-don Mozart Players left us in no doubt about that, for they were sober and decorous to a fault. It was odd to read the programme-note claiming (with some hyperbole) that one "can almost smell the grease-paint" in the overture to The *Impresario* and then to hear them amble so neutrally through it. Nor, despite some thoughtful touches in the E-flat Symphony No. 39, did anything there fizz either: not

even in the finale.

The huge Albert Hall proba-bly swallowed up their nicer points; I often think that a smallish orchestra is more disadvantaged there than a chamber-size ensemble for which we have to prick up our ears. At any rate, it was the soloists three of them - who rescued the evening from tameness.

Luigi De Filippi, the LMP leader, delivered the violin Rondo, K. 378, in appealing Italianate style; too rarely revived, this little movement

deserves no less.
In the Clarinet Concerto, Richard Stoltzman again put his amazing variety of quasi-vocal subtleties and shadings

at the service of the music. Two or three tremulous risks were a small price to pay for playing of such luminous con-

To the soprano Felicity Lott, in glorious voice, fell the motet Exsultate, jubilate" and two other early arias. She lent nobility to "Lungi da te," from the 14-year-old composer's opera Mirridate and the better-known "Voi avete un cor fedele" positively bubbled with flirtatious charm. As for the grander "Exsultate," there was nothing one could do but suc-cumb gratefully; the Lott poise was flawless, her phrasing artful and exquisite - and her timbre seems recently to have acquired an extra degree of warmth. She is in danger of becoming too good to be true.

David Murray

Photographs at the Royal Academy

The Art of Photography 1839-1989, which opens at the Royal Academy of Arts on September 22, will be the first time the Academy has exhibited photography as an art form. It will run until December 23

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Taming Soviet nationalism

the Soviet Union's 15 republics have reached the stage where the future contains only one choice. Either a constitutional settlement can be agreed which can broadly satisfy the demands for autonomy of the majority of the active citizens of these republics and which will allow for the continuation of a (decentralised) Soviet Union: or no such compromise is available, the nationalist movements will continue their evident radicalisation and a decision has to be made between disintegration or tanks, with the smart money on tanks.

Over this summer, the tenor of comment in both the Soviet Union and the West has been that the first course is much less likely than the second. We should recognise that it would be terrible if it were so. The West should hope devoutly that Mikhail Gorbachev can avoid the chaotic disintegration of his empire, and should insofar as it can - help him

to do so.

The reason for this support is obvious enough. From the Baltics to Baku, awakened nationalisms demand freedoms which cannot be granted without explosions. In part this is because, especially in the Caucasus, the freedom of one nation or ethnic group can reasonably be forecast to be the suppression of another. It is also because the Soviet Communist Party, dominated by Russians, has not achieved a consensus that post-imperial days are here, and would certainly oust any leader who ceded complete independence to any part of the whole. If the other main locus of Mr Gorbachev's woes - the economy - is best treated by a sharp shock, the nationalities ques-tion is not. This tiger has to be skinned claw by claw.

Of course, what can be comfortably asserted in the West would be harder to say on the streets of Vilnius, as Lithuanians catch up on just how brutal Soviet history has been to them, and how completely it had smothered their own; or in Tblisi, where, last April, 20 Georgian nationalists, mostly women, were slaughtered by Soviet special troops. These considerations, aggravated by shortages of food, drink and tobacco, will mean that tomor-

row's session of the Central Committee of the Communist Party of the Soviet Union, called to discuss the national question, will be as important as any in Mr Gorbachev's four and a half year rule, perhaps

as any in its existence. He may pull it off again. The indications last week from a meeting between Mr Gorbachev and the Baltic leaders were that the latter went back saying that the General Secretary was prepared to come a long way towards the demands of the nationalist movements which have pushed the republi-can communist parties as far as proposing that they should seek independence from the national Communist Party

Back in Moscow, the official media was putting a harder gloss on the talks, emphasising that Mr Gorbachev had called the leaders to heel Saying different things to different peo-ple can work as a strategy – but it usually has a fairly tight

The key recognition for the Central Committee, difficult for it to accept, is that it constitutes a large part of the prob-lem. As the total intransigence of many of the nationalist demands shows, there has never been developed a prac-tice of compromise and of normal politics between the vari ous competing nationalist groups: instead, the party in Mosocw has decreed solutions, enforcing them first through terror then through patronage thus freezing problems rather than tackling them.

It is that practice which must now be nourished: which means that it is critically important for the Soviet Union eastern Europe and beyond them the world, that the Central Committee tomorrow agree a loose enough formula to satisfy the long suppressed needs for greater autonomy and yet does not light a fuse under the Kremlin walls in doing so. It must give the politicians and the new political forces in the republics some thing to do - with the explicit understanding that it may not be what Moscow necessarily wants them to do. It must tol-erate diversity and heresy: or the wonderful opening in the world, which owes much to Mr Gorbachev, will narrow or even close, and we will all lose.

Rethinking the Channel link

IT LOOKS increasingly likely that private sector consortia will not agree to finance the proposed high speed rail link between London and the Channel tunnel. The estimated cost of the link has escalated from £1.2bn to £3.5bn. If the soaring cost of the Channel tunnel itself is any guide, the final cost could be higher still. The arithmetic suggests that the level of fares needed to guarantee an attractive commercial return on the project would be prohibitive. So should Mr Cecil Parkinson, the UK Transport Secretary, concede defeat and announce that the link is to be

postponed? This is what the Government's own logic dictates. The 1987 Channel Tunnel Act specifically rules out grants for the "provision, improvement or development of international railway services." Cancellation or postponement would also correspond neatly with the new transport philosophy espoused by Mr Paul Channon, Mr Parkinson's pre-decessor. Mr Channon, with the Cabinet's backing, argued in essence that projects should go ahead only if those standing to benefit in the short term travellers and property devel-opers – were willing to pay. The impasse over whether to extend the Jubilee Underground line to London's Docklands is a direct consequence of the Government's attempt to implement this policy.

Competitiveness

But does this approach to transport infrastructure make sense? Those who believe it does must logically condemn the policies taken for granted throughout the rest of the EC and in nations as diverse as Switzerland and Japan. In these countries, a swift and efficient transport system is regarded as a necessity rather than a luxury. It is seen as directly contributing to the overall competitiveness and profitability of industry as well as enhancing the general qual-ity of life. The fact that private sector capital cannot easily be mobilised for projects with large external benefits and distant pay-offs is not taken to demonstrate their worthlessness but rather to signal the need for public sector involvement. Hence the lack of controversy over who should pay for the TGV Nord, the high speed railway which will link Calais with Paris and Brussels.

Subsidies for railways on the Continent may sometimes have been excessive, leading to overmannings and other ineffi-ciencies. It is also true that direct competition between railways and air transport has been suppressed. If civil avia-tion were less cartelised, the high-speed rail links springing up in anticipation of the single European market would look a less economic proposition.

Inefficiency

But this is not an argument for the UK pursuing policies entirely contrary to those of its European partners. There is no danger of excessive rail subsidies in the UK. The issue is whether a creaking and ineffi-cient network will be modern-ised sufficiently to enable industry to benefit from the planned integration of the mar-ket. In judging the case for investment, policy-makers should bear in mind that most British companies will be situated far from the economic heart of the single market,

heart of the single market, which will lie in and around West Germany. To prosper they may need better-than-average transport links.

Yet present policy says that the high speed link between London and the Channel tunnel should be built only if it is attractive to mivate consortia attractive to private consortia seeking a real return of some 15 per cent. This is almost twice as high as the 8 per cent real return demanded by the Treasury on normal British Rail investment. The Treasury figure is arguably too demand-ing; it has helped justify a pro-gressive deterioration in public sector transport during the 1980s and is a legacy from the days when the policy priority was to reduce Government borrowing. The commercial return demanded is inappropriate for an infrastructure project which will be benefiting the commu-

nity a century hence. Some form of public subsidy for the Channel link is therefore essential, although it will have to be disguised in view of the Government's earlier commitments. It should be coupled with an explicit recognition that responsibility for projects which benefit the nation as a whole cannot always be dele-

gated to private entrepreneurs.

ay negotiators are about to enter what could be the most important six months in British pay bargaining since the recession of the early 1980s. A third of all settlements are due to be renegotiated between Namenton and April ated between November and April, amid signs that trade unions are pressing for pay rises that in many cases will be close to 10 per cent. Managers will be hoping that the

slowing of the economy will start to put a brake on these demands. Signs that pay pressure may be lessening are appearing in sectors such as furniture, which have been among the first to be hit by lower retail spending. Figures compiled by Income Data Services, the pay research company. show the annual increase in average earnings in the furniture industry has fallen from 21 per cept last December

None the less, in sectors less immediately affected by retail spending those planning for negotiations this autumn must have viewed the summer's events with mounting alarm.

In the wake of a string of 8.3 per cent deals for public sector workers, and settlements of 9 per cent or more at British Telecom, Imperial Chemical Industries, the police and the electric ity industry, it seems likely that 9 per cent will become the unions' target rate. Manual workers at companies like Ford will be aiming for at least 10 per cent.

per cent.

But employers are unlikely simply to let this pay pressure eat into their profit margins. The question facing them is whether they can squeeze more productivity growth out of their workers and machines to offset the rise in pay settlements, keep a lid on unit was costs and present higher.

unit wage costs and prevent higher pay fuelling higher inflation.

The extent of the productivity improvement of the 1980s is disputed. Estimates for productivity growth in manufacturing between 1980 and 1986 include the Treasury's figure of 5.25 per cent and the National Institute for Economic and Social Research's figure of 3.64 per cent. Whatever the exact figure, that is undoubtedly higher than the 1970s, when it was running at between 0.68 per cent and 1.5 per cent a year.

Britain's performance stands in marked contrast to most of its big competitors, where productivity growth has fallen compared with the 1970s. But service sector productivity has risen more slowly, holding back productivity growth in the economy as a whole, which the Treasury puts at 2.5 per cent in the 1980s, up from 1.25 per cent in the 1970s.

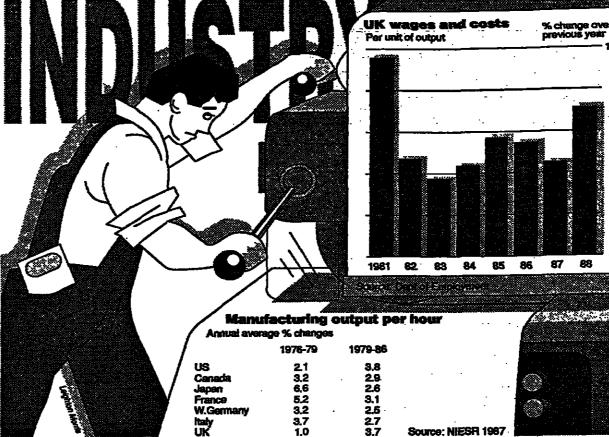
Despite this, the rate of increase in unit wage costs has risen steadily, to about 7.5 per cent in the year to May. In private services, where output growth has weakened but employment and earnings have continued to rise, the increase was about 8.5 per cent. So it is arguable that even the productivity turnaround of the 1980s has not been enough. Many compa-nies have still not closed the unit cost gap with their foreign competitors.

The question now is whether this year's "summer of discontent" and the accompanying surge in pay pres-sure mark an end to the productivity gains of the 1980s. It may be that with a tightening labour market and a deteriorating economic climate - the balance of power in collective bar-gaining has shifted back towards the unions. The rise in productivity growth earlier in the decade was ufacturing redundancies of the early 1980s and tougher trade union legislation. Their effects may be wearing off, leading to a period of slower productivity growth.

Several factors will be working in companies' favour:

• At many companies, a genuine momentum for change built up in the mid-1980s, which is unlikely to abate. This is particularly noticeable at com-panies such as Ford and Vauxhall, the motor manufacturers. According to Charles Leadbeater reports on how far recent pay settlements reflect productivity gains

The price and pace of change



car industry union officials, Vauxhall's last two-year agreement, which is about to expire, was designed to enable continual changes in working practices, to encourage increasing worker versatility and flexibility. The company has told unions it wants to continue in this direction with more

Ford has yet to obtain all the pro-ductivity gains implicit in its last two-year deal. The company plans to make further progress in introducing team working and in streamlining its supervisory workforce. The Ford manual workers unions' recent proposals to reform the company's pay struc-ture acknowledged there will be con-tinual changes to working practices. At ICI, which has already settled at

9.6 per cent, managers believe the deal has to be viewed in a wider con-text. An occasional high settlement has to be set against moderate settle ments in the previous few years. This year's deal will help the company pursue its wide-ranging plans for changed working practices which should bring benefits well into the

 New technology can also build up as companies discover avenues for labour saving they had not initially thought possible. Some national newspaper publishers, having bedded in new production technology, are exploring a second round of redun-dancies and changes to working prac-

 Abrupt changes in the commercial environment can also bring about changes. With the break-up of national bargaining in the indepen-dent television industry and the looming auctions for television franchise companies such as Yorkshire TV and Independent Television News have bought out expensive overtime systems and introduced widespread worker flexibility. The transformation of working conditions in the television industry this summer suggests that companies will still be able to win changes when they are faced with sharper competition.

Those are the factors that work in favour of continued productivity gains. Against them, however, must be set a countervalling set of pres-

First, higher inflation creates sim-

The question is whether employers can squeeze enough productivity out of workers to offset pay

pler bargaining. As an official of the Union of Communication Workers, says of forthcoming wage talks: "With inflation uncertain we will not want a complex deal involving working practices. We want to concentrate on get-ting the pay right." Similarly, workers at Vauxhall are pushing for a one-year agreement, breaking the cycle of two-year deals. The growth of two-year agreements has been vital in allowing companies the time to introduce complex changes; that may now be set back. Second, many companies have

sector service employers to find com-pensating productivity gains."

Faced with this less involutable out-look for productivity growth, employ-ers may find that traditional remedies will no longer work. Although the last few months have seen a stream of redundancies in textiles and footwear, many companies will not be to able shed labour to bring their total labour costs under control as they did in the costs under control as they did in the recession of 1979-81.

Mr Alastair Hatchett of Incomes
Data Services says: "Much of the productivity surge of the early 1980s was
due to structural changes in the economy in manufacturing, steel, ship-building and coal. The scope for that sort of change has gone. Companies facing a tighter labour market in the 1990s will not want to risk losing skilled workers. Large-scale redundancies will not be an option."

become locked into a wage-productivity spiral. Higher productivity has fol-lowed higher wage settlements, paid

to gain co-operation, loyalty and

effort. Higher wage demands then fol-low the productivity gains. If compa-nies attempt to break that spiral by

holding out for lower wage rises they

may also get lower productivity growth. For some the only option will

be to stick with the going rate of pay,

to get the going rate of productivity.

Third, negotiations in manufacturing will be clouded by the emerging dispute over shorter working hours in

the engineering industry. Few leading

companies will want their annual pay bargains to become conflicts for fear

that this might feed the wider dispute over the unions' claim for a 35-hour

week. This calculation may have played a role in a recent 8.9 per cent deal at Bolls-Royce, Bristol and a 9.2

per cent deal at Dowty. Both groups are on the list of those targeted for industrial action in the hours cam-

Fourth, though service sector employers are taking a much keener interest in productivity than before – for example, through the introduction

kets, which allow a much closer check

to be kept on throughput - recruit-

ment pressures limit their scope for

gains. Such presures, which produced 9 per cent deals in the last few months at Provincial Insurance and

the Alliance and Leicester building society, will not weaken. Professor David Metcalf of the London School of Economics says: "It will be much more difficult for private and public dancies will not be an option."

The external environment spurred higher productivity in the early 1980s. In the early 1990s, more will depend on the quality of management: motivating workers, raising skills and making better use of the flexibility which has become available.

Greater worker flexibility has often meant production workers simply

Finally, part of the productivity surge was due to the rise in output after the recession, which has allowed

companies to work closer to capacity.

The widely forecast decline in output next year is likely to slow productiv.

ity growth and raise unit costs. Lower investment will also be a restraint, as

changes in working practices have been led by investments at greenfield production sites or the installation of new technology on the shopfloor.

Faced with this less favourable out-

meant production workers simply working harder to cope with a wider range of tasks like cleaning, minor maintenance and quality control. Ford's British plants now have working practices and technology quite like their continental European coun-

terparts.
Yet there is still a significant productivity gap, partly because at West German plants it takes very little time to repair machinery which has broken down. Ford managers attribute this to a more professional approach among West German car workers, bred by better training and shop floor supervision. Better trained supervisors will have a central role in ensuring that worker flexibility, just-in-time production systems and more sophisticated machinery are co-ordinated and exploited to the full.

But turning supervisors into more effective managers and improving the technical skills of shop floor workers will take several years. A string of companies are pursuing skills-based pay deals or payment systems. Ford is likely to move in this direction in this year's talks. Rowntree Mackintosh. the confectionery manufacturer, has aiready done so, as has Airbight and Wilson, the chemical company.

The price of introducing those sorts of sweeping changes in training programme and working practices appears to have increased. It ranges from 12 per cent at Otis Elevator for a training-related flexibility deal to more than 30 per cent over two years at Coca-Cola Schweppes. There the basic pay increase will be 18.5 per cent, with 13 per cent for the completion of training. At GKN's Hadley Castle plant, skilled workers are being offered a 20 per cent rise over the next 18 months, on top of basic pay

Despite the rising cost of change most companies seem genuinely confident of winning offsetting productivbehind higher productivity growth -smaller workforces, new technology new working practices - will not disappear. But in future more emphasis will have to be put on the quality of labour and management, its training and skills, rather than crude numbers and increased effort.

CORRECTION: The table on this page on Friday overstated the increase in Dutch investment in the US in 1987. The correct figure was \$391m.

Chemists at the top

 Should a chemicals company be run by a chemist? The question is being much discussed at BASF, one of West Germany's top three and, in fact, the biggest chemical company in the world. What happens at its headquarters in Ludwig-shafen will be closely noticed elsewhere.

Hans Albers has been chairman since 1983 and is due to retire next June at the age of to mind about him are "taci-turn" and "crusty". An announcement about the suc-cession should be made in the next month or so, but it is far from clear who will get it. There is talk of breaking

with tradition and appointing a non-technocrat: someone versed in public relations who present itself better both to the financial community and to the Greens and their sympathisers This school of thought points

to the appointment five years ago of Hermann Strenger as the chairman of Bayer. Strenger is a marketing man who likes talking to the press. Moreover, he is the first nonchemist to have headed any of the West German big three: BASF, Bayer and Hoechst.

Riding the tide of this senti-ment is Ronaldo Schmitz, BASF's finance director, who has emerged as a front runner for the succession. Schmitz is 51, extremely forthright, very much an intellectual. well-travelled and an Anglophile: he admires Mrs Thatcher and thinks that governments should pay more attention to the social consequences of sci-

entific breakthroughs. The trouble is his background, which is in finance and management rather than chemistry. BASF is a conservative company and many there do not want a non-scientist in charge of technology. "Schmitz is a brilliant fellow," says one insider. "It's a pity

OBSERVER

he's an economist." Schmitz has not always seen eye-to-to eye with Albers, which may elbow him out for good.

Among the other candidates on BASF's board are Friedrich Strube, who, at 50, has excelled during his 20-year career at the company. But he is a law-

That puts the smart money on another board member, Dietmar Werner, a 55-year-old who is at least a chemist. Werner has made a success of turn-ing round BASF's oil and gas subsidiary and is capable of talking freely, without too much chemicals jargon. He is "quite a comet," says some-one close to the discussions. An outsider is Dieter Stein, another chemist on the board who is said to have a good grasp of detail and is the same age as Werner.

The casting vote in the dis-cussions will probably go to Matthias Seefelder, the venerable professor who heads BASF's supervisory board and was the executive chairman before Albers. He could choose someone from outside the board altogether.

Music at home ■ Mixed thoughts on the last night of the Proms, as usual. There seemed to be more flags than ever; it was also broadcast worldwide. Yet the camera work in televised music is now superb. Concerts on television have become one of the great

Green man

pleasures.

■ Nearly 30 years ago, John Delafons wrote a book with the uninspiring title: Land-Use Control in the US. The book stayed in print for 20 years. It is still used in planning schools in the US. The royalty cheques only dried up three to four years ago. The publish-



ers suggested a re-print. Instead, in the twilight of his Whitehall career, Delafons will shortly be off to the US again, this time on a Lever-hulme fellowship (the first study was facilitated by Har-

From his base at the department of regional and urban planning in the University of North Carolina, he wants to catch up with recent develop-ments in planning, and the different approaches between

states.
Delaions has headed the planning and inner cities unit in the Environment Department since 1982. The subject that he will most regret leaving is London Doeklands, which he says is "at a rather critical juncture". It is close to what he will be studying in the US: how far developments and governments should

share the environmental costs. He has served six Secretaries of State for the Environment in seven years. Chris Patten. the latest, will not have the pleasure. But Patten will get a report next summer on the US expedition. Delafons will then be nearly 60 and due to

retire from Whitehall. And Patten might even have a bestseller on his hands.

Power names ■ A burst of activity at Compa-

ity boards of England and Wales are registering names galore to protect their territorial and corporate identities against emerging competitors in the age of privatisation. For the nominal £100 the

North Eastern Electricity Board last week renamed itself Northern Electric, matching the Southern Electricity Board's reincarnation as Southern Electric. Jack Harmsworth, Northern's deputy chairman, says that his future plc has also protectively bought the rights to a handful of other names, including Elec-tricity North East and Northern Electricity Supply Com-

pany.
South Western Electricity,
besides registering five subsidiaries prefixed by its present initials SWEB, has taken similar steps to prevent "South West Power" from falling into unwelcome hands. South Wales Electricity and Manweb, which operates in North Wales, have jointly reg-istered (in English and Welsh)

a shadow company called Wales Electricity. Other boards plan little or no change in their titles. Nor-web, whose North West area stretches from Buxton to Carlisle, is happy with its name, even though the last letter will be redundant when it ceases to be a board.

Good Texan

 The Soviet news agency, Tass, has appointed a lady from Texas, Irene Stevenson. to polish the style of its English news service. "It's not that it's unintelligible." she says. "It's not, it's really very thoughtful. But it does not read with the authority, language wise, that Americans or the British expect."

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he metals markets are in a state of high excitement. After defying gravity throughout the summer, prices, for many metals dropped sharply earlier this month, then recovered much of the loss. Market swings are only part of the excitement, however. Some analysis are pre-dicting that there will be a flurry of activity as base metals mining companies attempt to buy each other. This might be good for share prices but the reasons for this expected scramble have serious implica-

The base metals producers are now attempting to make up for many years of under-investment in exploration and development of new resources by

preying on their rivals.

Most of the base metal min-ing groups are flush with cash after 18 months of high prices for their products. This makes them attractive takeover tar-

them attractive takeover targets unless they strike first.

"Mining companies are now appreciating that it is cheaper to buy each other than to establish a new mine. And they are learning even faster that if they do not eat each other, then somebody else will est them " suggests lulier Res. eat them," suggests Julian Bar-ing, manager of James Capel's Gold and General Fund. The acquisition in June of British Petroleum's mining and minerals assets by the RTZ Corporation for \$4.30n first drew attention to the potential for realignments in the base

metals mining industry. The current excitement was started

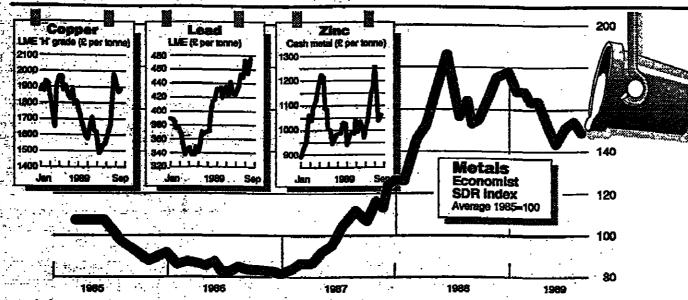
by the battle for control of Fal-

conbridge, the world's secondlargest nickel producer. Noranda, Canada's biggest natural resources group, and its partner Trelleborg, a diversified Swedish company, have edged out Amax, the US min-ing group, and are likely to take over Falconbridge for \$1.8bn. Noranda has made it clear that its main interest lies in getting its hands on Falconbridge's Kid Creek mine in order to provide a secure supply of raw material to Noranda's Horne smelter in Que-

bec, which is running out of feedstock Philip Crowson, senior economic adviser at RTZ, now the world's biggest mining group, suggests that base metal concentrates (material containing between 20 and 40 per cent metal) are potentially in short supply. This would particularly hurt those companies, like Noranda, which have a large metals smelting capacity but not enough mine output to match.

Mr Crowson believes that the problems stem from the long recession of 1980-87 when

नद राजन्य क पूक्त का **अक्कान्य ते**।



Kenneth Gooding reports on the activity in the base metals markets

The coming scramble to buy up mines

rock-bottom and the industry cut back its activities severely. "Much of the decline in real costs at that time was bought at the expense of the future, and the future is now paying the price," he says.

The list of short cuts taken

in those desperate days is long. Repairs and maintenance were postponed in definitely. Advanced development underground or stripping in open pits were neglected in order to reduce the amount of spoil shifted. Some mines "high-graded" or concentrated on digging out richer ore and ore easier to recover. This inevita-bly raises future mining costs and shortens the economic life of a mine. Wage costs dropped "at the expense of future labour relations," according to Mr. Crowson. Exploration spending was heavily concentrated on high-priced gold in the early 1980s.

Before he retired as as president of the Teck Corporation, the Vancouver-based natural resources group, Mr Norman Keevil pointed out that since 1981 Canada's gold reserves had jumped by 94 per cent. In the same period reserves of nickel had fellen by nearly 20 per cent those of courses by the problems stem from the long recession of 1980-87 when more than 21 per cent and metals prices were at those of zinc by 24 per cent.

The collapse in the gold price in the past year from over \$400 to about \$360 an ounce and the high price of base metals seem to be reversing this trend in exploration. Yet there is an average 10-year lag between finding a metals deposit and bringing a mine into production.

The exploitation of many

se metal reserves - shelved during the recession - could at first sight be taken up again. Many of them were, however, discovered years ago when different cost structures and different economic conditions prevailed. Few can be treated as genuinely accessible reserves. Moreover, many of them are in countries where political and economic risks are high.

"Who, for example, would put money into Peru or Zaire?" asks Mr Crowson. Some analysts suggest there might be long-term structural weakes in Peru, which supplies about 11.5 per cent of the non-communist world's zinc, 6 per cent of the lead and at least 5 per cent of the copper. Similar structural weaknesses may also afflict Zambia, which in the past has contributed 6 per cent of the copper. The analysts also say any increasing tensions in

southern Africa would have an

adverse effect on supplies of a wide range of metals. The base metal projects which are just coming to frui-tion were begun at the end of the 1970s. They include the

huge Olympic Dam copper-gold-uranium mine in Australia: Red Dog in Alaska, the world's biggest lead-zinc mine; and Escondida, a massive copper project in Chile. Mr Crowson suggests there will now be something of a hia-

tus. "These projects are not enough. They, and more, are needed not just to meet pro-spective demand, but also to compensate for the likely closures of the next few years. In many instances, mines were kept in profitable production during the lean years solely by altering mine plans and short-ening their prospective lives. Many of the new projects, in the US copper industry for example, will also be short-lived."

All this helps to explain why base metals prices have defied gravity for much of this year. ven tin and lead, which failed to rise in step with copper, nickel, zinc and aluminium in attaining record prices, have benefited. The tin price, which had been suffering from the threat posed by huge world stocks following the collapse of the International Tin Council's price support scheme in 1985, has recovered strongly this year - though it lost some ground last week. Despite the bumpy trading of the last few weeks, lead is still within a whisker of its eight-year high. Analysts conclude that average base metal prices will be higher than predicted at the beginning of 1989.

For much of the year, the prices of other base metals were behaving much as analysts had predicted. World economic growth was slowing, metal prices were easing and increases in metals supplies were going to be more than adequate to meet likely consumption needs for the next few years. In the late summer, better prospects for a soft landing of the industrialised world's economy and a number of supply disruptions caused metal prices to rebound.

Copper, the world's most heavily-traded metal, has been hit by strikes in Peru, Chile and Canada. Another big mine at Bougainville in Papua New Guinea has been closed because of violent attacks by local land owners in revolt. As a result, though non-communist world copper stocks have now started to rise again, they are still at very low levels. The

price on the London Metal Exchange, often the market of last resort for buyers, rose sharply in late summer. When base metals prices came under pressure 10 days ago, the LME cash copper price suffered too. dropping £50 a tonne in a sin-

gle day a week ago. But it recovered a good part of its losses in the days that followed closing the week up £16 a

tonne at £1,885 a tonne.
The low levels of stocks are bound to affect the new contract prices established in the so-called "mating season", which begins in September as the major producers and consumers pegotiate their annual contracts. Mr Crowson at RTZ says: "In mining you get many good years and a few years of bonanza profits. You get one or two years when there are losses." He suggests the indus-try will earn good profits for some years ahead "because of its inability and unwillingness to invest sufficiently to keep pace with demand." He hastens to add that RTZ did not buy the BP assets because it assumed high metals prices

would last forever. In the long run, prices will move into line with the industry's marginal costs, he says.

Jan Slechte, president of Biliton, the Royal Dutch/Shell metals division, goes further. He says: "Our basic assumption is that metals prices will continue to fall in real terms the trend is quite clearly down." He insists that the metals industry will not gain the full benefits of future world economic growth because it is not doing enough to improve its product and process devel-opment while at the same time there will be less intensive use of metals in new products and further substitution for metals

would be asking a great deal for metals demand to grow in line with the world economy." Such caution is widespread in the industry and it partly explains why some companies would prefer to buy existing low-cost mines rather than search for and develop new ones. By buying existing assets they do not face the costs and possible delays involved in building mills, smelters and refineries, in obtaining per mits, passing muster by envi-ronmentalists and paying rapidly-increasing equipment and labour costs.

by other raw materials. "So it

Analysts are now busy trying to spot the next base metals bid target to follow Falcon-bridge. Ronald Shorr, an analyst with Stearns and Co, says: "Mining companies have lots of cash, have their stronger belong about for gest balance sheets for years and the pressure for them to do something is building up."

LOMBARD

ABC of choice in currency

By Samuel Brittan

official first heard of Mrs Thatcher's promise after the Madrid Summit to table alter-native ways of achieving monetary union to that of the Delors Committee, on his car radio. He was so astonished that he nearly drove his car into a tree. Thus the proposal for competing currencies arose from domestic political exigen-cies, which did not help to get it off to a good start at the Antibes meeting of Community finance ministers.

achieving monetary union, the concept of choice in currency is a valid one nevertheless. Indeed I wrote about it in the 1970s (The Economic Consequences of Democracy, republished by Gower House in 1987). My main conclusion then related to the communication barriers separating such ideas from the world of Treasury and Bank of England economics. The poor fist that was made of explaining the idea to mockers showed that the barriers have not yet come down completely. To start with, the idea is a

Although it is not a way of

permissive, not a compulsory one. The answer to whether an Aberdeen grocer would have to accept payment for peanuts in Greek drachmas, is definitely not the off-putting one that currency competition will just affect large corporations and wholesale bank deposits. The correct answer is that

the Aberdeen grocer will not be compelled to take drachmas, but that he could if wanted to And many traders are often willing to take currencies of countries other than their own. The know-nothing brigade seems never to have visited border areas such as Geneva or Salzburg, where payments can be made in French or Swiss francs, or Marks or Austrian Schillings. Nor can they recall the long period when the dollar was almost universally acceptable. (This came to an end when President Nixon severed the gold-dollar link in August 197L)

Nevertheless some of the writing about currency competition has been based on mis-conceptions. For instance, the periods of competition between note-issuing banks sometimes cited (for instance in Scotland in the early 19th century) were

ONE VERY senior British between bits of paper ultimately convertible into gold. There is no comparability with today's paper money.

The present phase of interest in currency choice began with the pioneering work of the Nobel Prize winner Friedrich Hayek (the second edition of which was entitled Denationalisation of Money, Institute of Economic Affairs, 1978). The main obstacle he located was exchange control, which disappeared in the UK 10 years ago. and which Community countries are pledged to abolish by July 1990.

Whenever I have asked any free-currency writers what are the remaining legal obstacles to their proposals I have been met with a resounding silence. The British legal tender laws merely require the acceptance of sterling where nothing to the contrary has been stipu-lated. There is nothing to prevent contracts being made in D-Marks, dollars, Ecus, gold, platinum, indexed sterling, or in any other way that is clearly defined. Some tidying-up adjustments may be required, for instance in the British Truck Acts and in German laws stipulating contracts in D-Marks. But competitive currencies are already inherent in the unanimously accepted stage one of Delors.

The Institute of Economic Affairs and other post-Hayek writers have assumed that currencies would compete at floating exchange rates. Whatever the merits of such ideas, they are not compatible with the EMS, which Mrs Thatcher is pledged to join, however reluctantly, under stage one, let alone the projected EMU.

The British Treasury claims as a novelty for its proposals that the competition would be between currencies linked at semi-fixed exchange rates through the EMS; and it argues that they would add to the counter-inflationary properties of the system. Maybe. But it is sad that the supposed need to save the Prime Minister's face prevented the British Government from presenting a real alternative to Delors based on the more evolutionary approach of the Bundesbank and some other Community

Arms race in reverse

From Mr P.S. Wardham Daw.
Sir, In his analysis of Russian realities, Mr John Gray
questions the availability for Russia of western credits and investment ("Soviet Peres-troika: the risks of collapse-into chaos," September 13). He sees the federal deficit preventing the US from help-ing, and even if capital were available from Germany and Japan it "would vanish into the abyss of chaotic planning institutions." Mr Gray does not believe that private capital can be expected to substitute for western credits because of the

risks of instability and collapse.

American spending on defence may leave little over for financing perestroiks. But it should be possible to propose that every billion dollars by which Nato countries are able to reduce military expenditure, to reduce military expenditure, as a result of arms cuts agreed with Moscow, be re-directed into economic assistance to augment the savings in defence expenditure achieved by the Russians. Japan would be invited to contribute — and thereby make up for the thereby make up for the defence expenditure American

protection has spared her.
Part of every billion dollars so liberated would go into credits to enable consumer concessions, such as those offered to the Siberian miners, to be extended to other areas of deprivation.

Part would increase the political risk insurance capac-ity available to the Multilateral Investment Guarantee Agency of the World Bank for the encouragement of private

Key to the kingdom

From Mr John Pringle.
Sir, It is hardly surprising that visitors from overseas

have difficulty in grasping the

distinctions between the terms

United Kingdom, Great Britain and England, when newspa-

pers of record fail to use those

According to the table at the head of the Technology section of the Financial Times on Sep-

tember 12, the population of England is 56.0m. Either there

has been a startling increase in England's population since the

last census, or whoever was

responsible for preparing the table has fallen into the old

trap of equating England and

converting rouble profits earned by investors into for-

eign exchange, Part would go to a fund from which to pay for remedies awarded to investors under international arbitration.

As the investment climate in Russia improves, and confi-dence in its commercial legal processes reduces recourse to arbitration abroad for settling contractual disputes, more of the money freed from spending on the arms race could go into economic assistance.

Lest, as a consequence, Russia's already high debt service ratio exceed Latin American levels, Soviet sovereign debt could be recycled to fund inward investment in peres-troikan privatisation. The fall-out from the eco-

nomic and political "melt-down" of the Soviet Union will be less dangerous if there is also a mutual military meltdown. The consequent re-direction, in Russia's favour, of spending no longer required for military purposes by either side will in turn give reform in Poland and Hungary a better chance.

As the occupied countries of eastern Europe come into their own, and their sovereign debt is also converted into invest-ment, not only will they no longer need the Soviet subsidy to which Mr Gray refers, but they could also become the kind of technical and financial service area for Russia which the Chinese leaders, in their less ideological moments, still hope Hong Kong can be for

P.S. Wardham Daw. investment in Russia. Sovereign Debt Office,
Part would be earmarked for 10 Upper Grosvenor Street, W1

its interests with the United

Kingdom. No doubt your contributor is aware that the population of England and Wales is in the region of 49.2m, and that of the United Kingdom as

a whole is 56.0m.
This kind of unthinking refusal to recognise Northern Ireland, Scotland and Wales as

components of the United Kingdom, having status equal to that of England, is intensely irritating to almost 20 per cent of the population of these islands.

John Pringle,

2 Johnsburn Green,

Advice freely traded

From Mr Edmund Dell.
Sir, Martin Wolf fails to bring out the full humour of the present trade discussions between Japan and the US ("US problems with Japanese

success," September 11).
Both governments profess
free trade principles. Neither
believes in them. Both are confident that Japan gains advantage from its protectionist poli-cies, whereas free trade principles would dictate that they are a cost.

The US has decided that free trade is only an acceptable basis for trade relations with Japan if there is a reasonable bilateral balance. If there is not, they will see what they can achieve with crowbars.

The Japanese cannot accept that they should buy things they do not want, purely to help the bilateral balance, and can find nothing in free trade theory - and not much in the present power relationship - that requires them to do so. After all, the US has allowed itself to become dependent on Japan for much advanced technological equipment, not to nological equipment, not to mention funding for its twin deficits.

Because both governments believe that it is not respectable to use the mercantilist

language in which, in reality, they think, they exchange advice on how to run each other's economies. Judging from economic performance since the Second World War, it is quite obvious whose advice any impartial observer would be inclined to take, the Japa-nese, the American (or Martin

Martin Wolf writes that protectionism is not the cause of Japan's success. His "evidence" is that if it were, Brazil, Argentina and India would now be the world's richest countries. Of course it is not the cause. That does not mean that it has not been an important element in Japan's suc-

If confirmation were needed of the important place of protectionism in Japan's success, it would be provided by their reluctance to relinquish if. The Japanese are hardly to blame for the world's readiness advised by its Martin Wolfs — to allow them to act as a free rider on the international trad-

ing system.

Nor, I imagine, are they now much worried about anything that the world or the US can do about it, in the short term. Edmund Dell, 4 Reynolds Close, NW11

Strictly the old ackamarackus

their guests out of concern for their health (September 15). Perhaps they should con-sider the words of Benjamin Franklin: "Wine makes daily

our, Observer informs us that onions are good for the heart, and "sensitive" New York hosts are not serving alcohol to their guests out of concern for the serving alcohol to their guests out of concern for the serving alcohol to their guests out of concern for the serving alcohol to their guests out of concern for the serving alcohol to their guests out of concern for the serving alcohol to their guests out of concern for the serving alcohol to their guests out of concern for the serving alcohol to t Martin Cannon. Chalfont St Peter

'What sort of central bank?'

From Mr Bryom Cassidy MEP. Sir, One sentence in your editorial ("The UK in a cul de sac," September 12) sums up the essential weakness in the Delors committee's report on monetary union in the European Community.

That is: "The problem is that the price of transferring con-trol to an EC-wide institution would almost certainly be worse money."

European monetary union without a European central bank is simply not possible. But what sort of central bank? Here is the core of the Delors committee's dilemma. Unless

such a central bank is entirely free of political control, the inevitable result will be a weak currency - an unacceptably high price, for the Germans in particular.

A central bank under the control of the European Commission is no solution. There has been little sign of financial stringency in the EC's affairs so far.

Until this dilemma is resolved, it is not just the UK which is in a cul de sac. Bryan Cassidy. The Stables, White Cliff Gardens,

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Income before income taxes:	¥171,861 million/£769 million
Net income:	¥77,980 million/£349 million
Net income per share:	¥45.29/£0.20
Total assets:	¥29,257,626 million/£131 billion
Shareholders:	39,847
Founded:	1683 (Incorporated in 1876)
Offices outside Japan:	81 (As of June 30, 1989)
Offices in Japan:	238 (As of June 30, 1989)

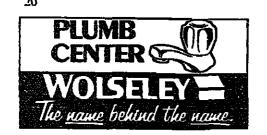
Note: All pound figures have been translated at the rare of ¥223.6 = £1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 1989

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FINANCIAL TIMES

Monday September 18 1989



Janet Bush on Wall Street

Nasdaq shows the way to go

NO SOONER had Japan attacked Pearl Harbour than the National Association of Securities Dealers joined the war effort. About 700 of its 3,000 members shut their doors as the US joined the war but the NASD mobilised those that remained to sell war bonds and so finance the eventual victory. The NASD celebrated its 50th birthday in Washington last Friday in a very different

In 1961, 22 years after the NASD was first registered by the Securities and Exchange Commission, a congressional report criticised the tragmentation and obscurity of the over-the-counter market and suggested automation as a way

of removing some of the mar-ket's limitations. The Nasdaq screen-based electronic market is now the second largest in the US after the New York Stock Exchange and the third largest in the

Last year, an average of 122.8m shares were traded each day. But it is not just the sheer growth of the over-the-counter market and the Nasdaq electronic trading network which is the story of the last half-cen-

An obsession with the New York Stock's Exchange's Dow Jones Industrial Average, at the expense of the more impor-tant Standard & Poor's 500 index, has often meant an unjustifiedly low profile in the US financial press for the Nas-

daq market. Yet in an era of increasing domination of the nation's securities markets, the over-the-counter market still provides something of a haven for the individual investor, not to mention a source of capital

for smaller companies.

Nasdaq is also increasingly international. There are around 100 European stocks listed on the computerised trading system including such famous names such as Jaguar, Cadbury Schweppes and Volvo. These are likely to be among the stocks the NASD plans to trade in a pre-dawn session – in direct competition with the London Stock Exchange – which may start

early next year.
Institutional trading in this market may start to increase markedly in response to a new software system called ACES which allows market makers to execute electronically much larger trades than possible with the existing Small Order

Execution System.

Perhaps the most notable aspect of the NASD, however, is that the two trading philosophies – electronic trading and a system of competing market makers - which it has always championed are rapidly becoming the norm as stock exchanges around the world modernise trading and gear up for a truly global market place.

Mr Joseph Hardiman, NASD president, believes the early decision (in 1971) to embrace technology and so create a market which could reach across America, along with multiple market makers, was what made his organisation unique and which will ensure that it is an important example to others in the future.

The concept of competing

market makers may even make inroads at the New York Stock Exchange, which is fiercely proud of its specialist system in which a market is made in a listed company's shares by a single firm.

The SEC is expected shortly

to approve a new basket prod-uct on the New York Stock Exchange. The NYSE has proposed a system of competing market makers to trade Exchange Stock Portfolios. aruging that no single market maker could be expected to have enough capital to keep a market going in very large

It has always been the NASD's argument that the sys-tem of competing market mak-ers narrows spreads, increases liquidity and ensures a safer, better-capitalised primary

dealer community.
What of the future? Given the move towards screen-based trading and the discussions among regulators about how to facilitate cross-border securi-ties trading, international reg-ulation and settlement, it is not inconceivable that an international stock market will be

set up.
If this is screen-based, as Mr Hardiman believes it will be, then the NASD will no doubt be a major participant.

Asked what he believes is

the major achievement of the last 50 years, Mr Hardiman said: "The market side of things always gets the most publicity and this is important. But I think we have also seen remarkable evidence of how effective self-regulation has

DEVELOPING COUNTRIES PAY \$4.8BN TO WORLD BANK Net outflow to Third World falls

A GROWING net transfer of resources to the World Bank from developing countries which borrow from it is dis-

which borrow hold it is dis-closed by the organisation's annual report, published today. The transfers to the Bank, totalling some \$4.8bn in the lat-est year ended June 30, will embarrass the bank and pro-vide its critics with ammunition. The figure, which represents the amount by which principal, interest and commission payments to the Bank by borrowers exceed the new loans they receive from it,

compares with transfers of \$3.5bn in the previous year. The Bank estimates that transfers of resources from developing countries to all lenders grew to about \$50bn in 1988, from \$38bn in the previous year, a continuation of the deteriorating trend that has existed since 1981 when lenders transferred some \$35.2bn to

debtor countries. The report also shows that the Bank was a net beneficiary of transfers from 17 highly-in-debted, middle-income countries of some \$1.9bn in fiscal 1989, compared with \$1.3bn the year before.

Bank officials argue both that the reflow of resources is

A CONTRACT to build the

first European assembly plant for Honda, the Japanese auto-motive group, is understood to

have been awarded to an

Anglo-American joint venture of RM Douglas, the Midland contractor, and Turner Construction of the US.

The £300m (\$468m) plant at Swindon in Wiltshire, central

southern England, is expected

to produce 100,000 cars a year

by 1994 for British and conti-

The contract to design and

build the factory is thought to

be worth about £70m and is subject to planning permission being granted. The plans are due to go before the local coun-cil at the beginning of Novem-

Honda expects to export to

continental Europe about 60 per cent of the cars built on the 367-acre site, a former air-

UK engine plant on part of

Honda has a 20 per cent

stake in Rover Group, the lead-

ing UK car manufacturer and a

nental European markets.

NET TRANSFERS BY THE WORLD BANK TO 17 HIGHLY INDEBTED, MIDDLE INCOME COUNTRIES Millions of US dollars; flecal years Item IBRD and IDA comm 6,428.4 5,405.5 8,021 4,739.9

6.132.1

exaggerated by a number of factors beyond their control and is, in any case, not neces-sarily a bad thing.

Gross disbursements

Repayments

Net disbursement of loans fell largely because of big pre-payments from some borrow-ers: Romania repaid \$1.3bn, South Korea some \$700m and Thailand about \$300m. Further-more some countries which more, some countries which more, some countries which are normally large borrowers.

Argentina and Yugoslavia, for example – drew very little from the Bank, because agreement could not be reached on economic policies. In addition, some repay-

ments are from countries which are now no longer eligible to borrow from the Bank, because they have become richer - for example Finland - or because they have

Anglo-US group in line to win

subsidiary of British Aero-

space. However, the cars to be assembled at Swindon will be

Turner Construction has pre-

viously built two large car

assembly plants for Honda in Ohio in the US. RM Douglas

built the Rover assembly plant at Solihull in the West Mid-lands of England, in the mid-1970s and also constructed large parts of the Longbridge, Birmingham car assembly

Birmingham, car assembly plant then owned by British

The Swindon plant will be about 1m sq ft, providing assembly areas, paint shops, car parking and pre-delivery inspection buildings.

It is one of a steady stream

private sector building con-

tracts which has continued to

boost UK construction output, despite a sharp fall in house building this year. In some

building is running at half the level of 12 months ago. RM Douglas, a medium-sized

contractor, said its construc-

tion order book had risen by

particularly not in the context

of thought," she said. Bilateral US-EC trade dis-

putes were distracting atten-

tion from the high priority which both sides of the Atlan-tic put on completion next year

of the Uruguay Round of the Gatt negotiations, Mrs Hills

Many transatlantic rows

were in areas where there were inadequate Gatt rules, such as

agriculture, or no rules at all,

as in services and investment. Mrs Hills said it was impossi-

ble to single out any particular factor in "the slight reduction" in the US trade deficit in July.

Particularly marked in recent US trade figures has been the

US's steady improvement in trade with the Community,

with the US turning a \$5.3bn deficit with the EC in the first

seven months of last year into a \$882m surplus in the same

period of this year.

For his part, Mr Andriessen welcomed Mrs Hills' assurance

that Washington's proposed

2½-year renewal of steel import quotas would be its last, providing "there is real liberalisation on the quantities

involved, more flexibility and the aim is to be multilateral".

30 85 C-Cloudy Dr-Ortzzie F-Feir Fg-Fag H-Hall R-Rain 25 77 8-Sun Si-Steet So-Snow T-Thumber

WORLD WEATHER

Honda European plant deal

solely Honda models.

By Andrew Taylor, Construction Correspondent, in London

become poorer, such as Kenya and Sri Lanka, and are now clients of the Bank's soft-loan arm, the International Development Association. If the Bank's activities are put together with those of the IDA, the net position is significantly improved.

Defending the Bank's position, Mr Ernest Stern, the Bank's senior vice president for finance, has said: "I don't think it should follow that because our disbursements to Yugoslavia declined...we ought to further increase our lending to Mexico." To main-tain positive transfers, he pointed out that debt had to grow annually by more than the rate of interest. "If you do that, a country is destined for

quick bankruptcy."
The Bank increased its pro-

almost a third to £260m during

the past year. John Laing, a much larger contractor, says its construction order book, mostly in the UK, has risen by

a quarter to £1.25bn in the 12 months to the end of June.

So far, there have been only

one or two indications that

high interest rates may be cur-tailing commercial and indus-

trialinvestment in new con-

Mr John Douglas, chairman of RM Douglas, says: "We have enough work, now, to see us through the next 12 to 18

months. Orders are still com-

ing in at an exceptionally high level but they are probably down by about 5 per cent com-pared with four months ago."

the pipeline includes further

major investment by a Japa-

nese car company: Toyota

announced this year that it

200,000 cars-a-year plant at

Burnaston, near Derby in the

east Midlands and a large

engine plant at Shotton, Dees-

ide, in north Wales.

Work still to come through

1,913.3 3,180.7 3,119.2 -1,287.4 -1,925.6

3,546.3 1,913.6

visions for possible loan losses to \$800m from \$500m as loans from countries overdue in principal and interest grew to \$3.2bn from \$2.9bn. Principal overdue rose to \$626.1m from \$378.9m, while income not accrued fell to \$262.7m from \$320.7m. About one-third of all pro-

jects approved last year con-tained significant environmencomponents. Environmental concerns "now pervade Bank operations, pol-icy and research evaluation,

training and information activities," the report said. New commitments by the Bank amounted to \$16.4bn in year ending June 30, up from the \$14.8bn committed in fiscal 1988, while IDA commitments grew to \$4.9bn from \$4.5bn.
Gross disbursements
dropped to \$11.3bn from
\$11.5bn, although IDA disbursements were about \$200m higher at \$3.4bn. Disbursements net of repayments by the Bank shrunk more dramat ically to \$1.9bn from \$3.4bn. although IDA's net disburse ments rose to \$3.4bn from \$3.2bn. The Bank's net income

rose to \$1.1bn from \$1.0bn while its borrowings slipped to \$9.3bn from \$10.8bn. Fears over Ferranti

Continued from Page 1

losses

existed. The company's last report and accounts show the value of work in progress and money owed at \$244m for the year to March 1987. This was six months before Ferranti took over the purported con-tracts as part of the merger with the US group.

A special team of investiga-tors called in by the company to investigate the suspect contracts began work at the week-end following a statement pointing to "significant irregu-larities" in a number of over-

The company has officially refused to give details of these irregularities. But people close to the Ferranti affair say that its management was led to believe that ISC Technologies Ltd held three contracts in the fact exist.

Ferranti is hoping that the investigation, being conducted by a team of accountants from Coopers & Lybrand, will turn up concrete evidence of the extent of the contractual problem before directors meet shareholders at the company's reconvened annual meeting on

the losses on the suspect con-

This would demand the injection of fresh finance to shore up the company's over-stretched balance sheet, and would almost certainly mean that Ferranti would have to surrender some of its owner-ship to a better-funded rescuer. At the end of the year to March, Ferranti was showing net debt of £160m against shareholders' funds of £371m, and its borrowings are now helieved to have gone well believed to have gone well

over £200m.

Since news of the crisis

The UK company is likely to favour a deal along these lines because Daimler and several US groups have sufficient financial resources to help with a refinancing, whereas other large Europeans, such as the Thomson group of France, are financially stretched.

Defence and the Bank of England, all of which are keep-ing a watching brief on the affair.

Taking the magic out of profits

The interim results season has so far been a relief for analysts - the big names have produced adequate or, in BTR's case, excellent, profits figures. Those profits warnings and unexpected losses that have been amounced have mostly come from the barreller corner. come from the smaller companies - those dependent on one product or one market, such as housing or DIY. But last week's announcement by Ferranti illustrated how slender the link can be between reported profits and the real

world.

Most of the main accounting tricks of the trade have been known for a long time. End-of-year figures can be massaged by the simple device of squeezing debtors and procrastinating with creditors. Property ing with creditors. Property profits can bolster disappointing figures; interest costs can be capitalised; provisions can be made in good years and raided in bad ones. But the two main areas of obfuscation relate to acquisitions and major contracts. The smart acquirer can write down stocks and assets, taking the subsequent profits on stock sales through the p & I account and reducing the depreciation charge in the process. That boosts profits in the short term and by the time one acquisi-The personal investor is and by the time one acquisi-tion has lost its growth impe-tus, other acquisitions are flowing through the system. And when to recognise profits on contracts is an age-old dilemma, particularly in the

construction and defence sec-tors; it is difficult for auditors to challenge contractors' defi-nitions of the percentage of a project that has been "fin-ished". The problem comes when the music stops. There is a point in the lifetime of any contract when it becomes obvious that the contractor is over-running its budget or is simply not getting paid. And if demand slows, predators may not have either the cash or the equity rating to keep their feet on the acquisitions treadmill. Those companies where finan-cial control has been decentral-

have been giving them the numbers they want to hear, rather than the numbers as they are.
There is some evidence to t that the music could be about to stop for quite a few UK medium-ranked companies. The last few years have seen rising share prices and a booming economy and what one institution describes as "a bull market in loose accounting practices". The acquisitions spree that began in 1985-6 has been the engine for a vast number of corporate "success

ised may find that subsidiaries

News Corporation Share price (A\$)

stories", some of which may have produced very little in the way of organic growth. A few, such as FKI, have started to unbundle themselves but its experience only highlights what the stock market has always suspected - the sum of the parts is rarely greater than the value of the lowly-rated whole Worse still, even a soft landing in the UK economy might be sufficent to drive such companies into reporting surprisingly poor results.

Private investors

beginning to tiptoe back into the market. Although this week's unit trust figures are unlikely to show that net investment is running at any-where near close to the £1bu plus a month rate at the peak of the 1987 bull market, it should show a welcome improvement on last year's average net inflows of £150m a month. Meanwhile, the more canny investors must have noted that investment trusts have been the fifth best per-

forming sector of the FT All-Share index this year. Of course, it would be very surprising indeed if unit trust sales had not risen, given the stock market's performance over the last year, and invest-ment trusts, by virtue of their gearing, tend to outperform in a rising market. However, there are other signs that the personal investor is beginning to drift back to unit and investment trusts. The budget changes in personal equity plan rules have helped the unit trust industry and the advent of investment trust savings schemes is a long overdue initiative in a sector with a wonderful product but abysmal marketing skills. The growing power of these savings schemes is one of the reasons

why the average discount is now the lowest since 1975. Nevertheless, unit and investment trusts continue to play a surprisingly small role

in the growth of personal savings. Unit trusts complain that they are overshadowed by that they are overshadowed by the huge firepower and tax breaks of the hig insurance companies and building societ-ies. Investment trusts blame their own poor showing on the fact that they are treated even more shabbily by officialdom than the unit trusts — a point well documented in CNWM's excellent 1989 investment trust excellent 1989 investment trust

annual.

However, while the playing field is far from level, both the unit and investment trust industries could do far more to promote their cause. Until the fragmentation of the unit trust industry is resolved, it will remain a weak and inneffectual competitor, and while investment trust managers are beginning to talk of marketing their product, it remains a very amateurish affair.

MGM/UA

Ten months ago, Wall Street analysts thought that the legacy of Mr Kirk Kerkorian's reign at MGM/UA was a company worth no more than \$12 per share, for all the wonders of cash flow doubtless waiting to be liberated from its film It is hard to see, then, that it

can now be worth the \$25 per share which Australia's Quitex is saying it will pay for it, whatever the synergies with Quitex's television network back home, or the successes MGM/UA had with Rain Man and Thirtysomething. Mr Rupert Murdoch was apparently saying the same thing on Friday. Even with the possible economies of scale in distribution, say, to be reaped by bringing MGM/UA under the same umbrella as his own Fox Inc film business and televi-sion network operation in the US, it did not make sense for News Corporation to enter a competitive auction with Qintex starting at \$26. After all, Fox is already stepping up its own film production and MGM/UA's added weight does not look execution. look essential.

One can see perhaps some deeper meanings in the episode, too. We now know from the man himself that Mr Murdoch has dropped his plans for Media Partners International, trolled investment trust to pursue further media acquisitions. That he was prepared to pay \$1.4bn for MGM/UA, and that he looked seriously at taking a hand somewhere in the Time/ Warner/Paramount struggle, indicates that News Corporation's grand acquisitiveness remains, and that he does not need MPI to finance it.

Brussels to discuss origin rules with US

By David Buchan in Brussels

MRS Carla Hills, the US special trade representative, wound up a six-country tour of Europe at the weekend by meeting Euro-pean Commission officials and claiming to be "more optimistic" that the Community would

eschew protectionism.

At a joint press conference
on Saturday in Brussels with
Mrs Hills, Mr Frans Andriessen, the external affairs com-missioner, stressed that the EC was not trying to use its trade regulations to "force people to invest in the Community."

Mrs Hills said she was "grat-

ified" by such reassurances and would take up the offer by Mrs Christiane Scrivener, the commissioner responsible for operation of the EC customs union, for technical transatlantic talks on rules of origin.

Companies outside the EC, including many in the US, as Mrs Hills noted, have complained that Brussels is in effect compelling them to make high-tech investments in the Community by adopting tough rules on local content. Brussels has said it only wants to stop companies getting around EC dumping penalties by putting "screwdriver" assembly plants in the Community.
However, Mrs Hills said she

was still unhappy with a pro-posed Community directive which would state a formal

Pressure for more Channel rail finance preference for majority local European content in TV pro-gramming. "We don't like local content in any context, and

By Kevin Brown, Transport Correspondent, in London

THE British Government is under increasing pressure to provide public money or financial guarantees a privately-built high-speed railway line from London to the Channel

The project is in doubt because proposed environmen-tal improvements have pushed up the estimated cost from an initial £1.2bn (\$1.8bn) to between £3bn and £3.5bn, before allowing for inflation

and interest charges.

This is too high to provide the required 12 per cent to 15 per cent real rate of return to private investors without raising the cost of tickets above the fares of competing airlines.

British Rail is still talking to constructing consortia but executives say there is little hope that the line can be financed without government help. The uncertainty is also having a knock-on effect on Eurotunnel, the Anglo-French Channel Tunnel consortium, which is in the process of raising between £1bn and £2bn to cover its own increasing costs. Mr Alastair Morton, the Brit-ish joint chairman of Eurotunnel, said yesterday that the problems facing the high-speed line were "peripheral" to the consortium's refinancing package, to be unveiled next month. However, Mr Morton said it was essential "for Britain's industrial and economic prog-

ress in an integrated Europe that this line be put in place as quickly as possible." The Government is under pressure to make a rapid decision to enable BR to meet parliamentary deadlines for legis-lation to authorise construction. It is being told by executives on all sides of the project that the increased cost has been caused largely by environmental improvements ordered by Prime Minister Margaret Thatcher herself.

It is already evident, how-ever, that Ferranti will incur a large write-off to account for tracts.

Ferranti has made no secret in recent months of its desire to reach an agreement on joint ventures or alliances with other overseas or UK defence electronics contractors. Sir Derek Alun-Jones, the group's chairman, has also talked of more far-reaching equity exchanges, and has not denied that he is in discussion with other companies in the sector.

broke early last week, Ferranti is understood to have had further talks with potential overseas partners, although these are not expected to reach any conclusion until more is known about the doubtful con-

Daimler-Benz of West Germany, which has recently acquired a substantial defence subsidiary with the takeover of MBB, is one of the frontrumers for a link with Fermanical Company with the company of the ranti, along with several US contractors.

Ferranti has also talked to the Department of Trade and Industry, the Ministry of

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18th September, 1989

INSIDE

Hidden blessings to Campeau crisis



Last week's troubles for Robert Campeau (left). the Canadian business men who assembled the world's largest department store empire with nothing except \$10bn in loans and a dream, plunged the US \$200bn junk bond market into its worst crisis ever. Traders say the market in many issues has all but

dried up. This sounds terrible but may be a blessing for the credit markets, and the US strong evidence last week that junk bond investors, intrigued by the possibility of actually receiving interest and principal, were buying higher-grade debt securities. Page 24.

ins but no outs at Co on

Since Co op, Germany's sixth biggest retailer, announced on Wednesday that its 124 unsecured creditor banks had falled to agree to a last-minute restructuring package, the list of suppliers wanting to reclaim their stock has accelerated. Tales of bounced cheques and demands for cash on delivery have abounded as companies all over Germany pore over their books to ascertain their Co op exposure. But, as Haig Simonian reports, while loaded trucks can roll into the group's 11 regional depots, access for those wanting to take out their - as yet unpaid - goods is distinctly

Reciprocity and art of the deal



Europe's current binge of cross-border mergers and acquisitions has focused attention or the question of take-over reciprocity. UK businessmen, eyeing the array of bid-proofing devices sheltering publicly quoted companies elsewhere in Europe, have been quick to cry foul. Unfair this asymmetry may be, but the British, with their open stock market, seem to have been more than holding their own agains countries where bid-proofing is widespread, writes Guy de Jonquières. Page 44

Market Statistics

Euromarket turnover FT-A World Indices

Money markets
New let bond lesses
MH Tokyo-bond lindex
US money market rates
US bond prices/yields

Companies in this section

Arley Holdings Beech-Nut Campeau Corp Co op Dinkie Heel

Havelock Europa 26 Koor 26 Lincoln House 25 London United 25 - Sea Containers 25 Thurgar Bardex

European jets take up battle formation

Paul Betts looks at last week's deal between Air France and Lufthansa

ir France and Lufthansa, the French and West Ger-A the French and West Ger-man state-controlled air-lines, are trying to shake off their dowdy corporate image of "sleep-ing giants" of the European air-line industry by joining forces to take on their major rivals in the fast changing and increasingly competitive international airline

The partnership pact they signed at the end of last week is a direct response to the current deal-making fever spreading throughout the airline industry. It is also likely to establish in Europe two major competing blocks with not only their dis-tinct personalities but also signif-icantly different strategies. One is led by British Airways (BA), Western Europe's largest interna-tional sirline, the other by the new Franco-German alliance combining the two biggest air-lines in Continental Europe. Both Mr Bernard Attali, the

chairman of Air France, and Mr Heinz Ruhnau, his opposite num-ber at Lufthansa, were at pains to emphasise last Friday in Paris that their co-operation agree-ment, which does not involve any swapping of share stakes, such as Swissair and Delta Airlines or BA and UAL are proposing, would not be turned against any spe-

not be turned against any specific rival airline.

Neither, they stressed, was it a rushed reaction to the growing scramble for partners in the world airline business. But they also acknowledged that recent moves by other major airlines, and especially BA — with its acquisition of British Caledonian, its planned 15 per cent stake in United Airlines in the US and its joint moves with KIM to secure a joint moves with KLM to secure a shareholding in Sabena the Bel-gian airline — could hardly leave them indifferent.

"We are in competition with large companies which sometimes have an advantage over us," said Mr. Ruhnan. "We have therefore opted for European co-

the single European market and a decade of deregulation in the US had intensified competition and forced European airlines to make serious strategic choices. Most airlines were now trying to expand faster to strengthen their competitive position, he said.

Some are already planning quite spectacular international alliances, sometimes with the ulterior motive of dominating



Ruhnau (left) and Attali: response to deal-making fever

their partner or partners. Others are seeking well-balanced, lasting strategies of alliance. This is the case of Air France," he said.

Although the two airlines insist they will retain their separate identities and will continue to compete against each other, the partnership constitutes a formidable force in the industry, with 299 aircraft (157 for Lufwith 299 aircraft (157 for Luf thansa and 122 for Air France), more than 32m passengers flown each year, a combined turnover of more than FFr70hn (\$10.5bn), and a total workforce of 75,000

Although at this stage there are no plans for cross-shareholding links the two partners do want to open up their co-opera-tion agreement to other airlines, including Iberia of Spain. Both Air France and Lufthansa also confirmed they were holding discussions with American Airlines, the largest US airline and one of the main rivals of United Air-

lines, BA's US partner. Some analysts have already questioned the benefits of the Lufthansa-Air France tie-up and regard the co-operation agreement as a relatively weak response to the shake-up in the industry. However, Mr Ruhnau said the alliance would stretch "well beyond the documents we have just signed." He also questioned in turn the benefits of tak-ing a minority stake in another airline. "I don't see how much you gain by having 10 per cent,"

ther analysts, however, expect the partnership to offer significant rational-isation and cost cutting gains for sation and cost chiring gains for the two airlines. "The true battle will be fought and won not just on the quality of service but also on costs," Mr Attali emphasised. Moreover, the two airlines, with a long history of co-opera-tion, have already started to implement their new agreement which involves strengthening their ties in all aspects managefew weeks, they plan to set up a joint subsidiary in airline catering and regular executive staff exchanges will begin next November. They have also agreed that their general managements will meet twice yearly to examine all the fundamental issues relat-

The most significant areas of co-operation are likely to involve

ing to co-operation between the

the joint launching of new long-distance routes from Europe and the two companies are already considering a new ser-vice from Germany, via France, to the French West Indies. They also intend to harmonise their new aircraft acquisition policies and plan to negotiate jointly with aircraft manufacturers. Other important areas of

immediate co-operation are joint pilot training schemes, the joint development of regional air services in Europe and closer co-op-eration in cargo operations.

ufthansa has long been a dominant player in the cargo business and Air France is now seeking to build up its freight operations. Only last week, it became the launch customer of the Boeing 747-400 cargo programme by placing a \$600m order for five of the new jumbo

freighters.

Mr Attali said the partners wanted to develop with other major airlines a computerised cargo handling and monitoring system, similar to their Amadeus computerised passenger reservation system.
The Air France chairman also

said the two airlines were ready, if necessary, to pool their efforts and financial resources to exam-ine joint acquisition opportunities which would strengthen

their operations.

The co-operation agreement has confirmed the consolidation which is beginning to take place in the European airline industry and is likely to put further present the comprise of the compr sure on European Commission regulators to address the growing problem of ensuring fair competi-tion in an increasingly deregu-lated European airline environ-ment. Both Mr. Attali and Mr. ment. Both Mr Attali and Mr Ruhnau claimed their pact raised no competition issues and had been welcomed by their govern-ments as a new example of Franco-German co-operation.

But Brussels and national reg-ulators are none the less expeccompetitive implications of this latest agreement between two major European airlines. As Mr Michael Bishop, chairman of Brit-ish Midland, the British airline in which SAS of Sweden owns a 24.9 per cent stake, put it last week:
"The question is whether
national and Community regulators will permit the scale of
change taking place in the industry."

Lessons for today from Mr Cobden

Martin Wolf on the rise of Japan and the decline of the Soviet Union

"It is to the industry, the economy, and peaceful policy of America, and not to the growth of Russia, that our statesmen and politicians ought to direct their anxious study; for it is by these, and not by the efforts of barbar-ian force, that the power and greatness of England are in danger of being superseded; yes, by the successful rivalry of America, shall we, in all probability, be placed second in the ranks of nations."

Thus wrote the then almost unknown Richard Cobden, subsequently head of the Anti-Corn-Law League, in his pamphlet, England, Ireland and America, published in 1835, well before British power reached its zenith. In 1830, the population of the US had been 12.9m, while that of the British isles was 24.2m. Projecting recent population growth forward, he went on to prophecy that "the population of the United States will, in seventy years from this time... exceed one hundred millions." Cobden was out by ten years in this predic-tion, but the US managed to over-take the UK as an industrial

power only fifty years after he wrote these lines.

Cobden poured scorn on the British obsession with colonial policy and the European balance of power. This Palmerstonian approach he regarded as worse than wasteful and irrelevant. It was a crippling burden. Committed to these mistaken policies, he complained, the UK spent six and a half times more than the US on preparations for war, even though the population was only

twice as large.

Just as the UK looked at the threat of Russian expansionism, so for more than forty years has the US been obsessed by its mili-tary rivalry with the Soviet Union. But the peaceful internal development of an unarmed Japan has represented the most dramatic change in the international scene, while the recovery and subsequent growth of an increasingly integrated western European economy has been

almost equally remarkable.

More can be learned from Cobden than that the internal development of nations - not their devotion to the fruits of war or diplomacy - has determined the distribution of power in the era of modern economic growth. Cob-den was convinced that empires were a wasteful luxury, that any-

thing one country might wish to obtain from another could be most conveniently gained through peaceful commerce and that a major war, being self-evi-dently futile, could be prevented by the expedient of free trade. With one hundred and fifty years of agonising experience to guide us, we can see that Cobden was

right on every point, except, unhappily, the last.
Europe has had three world-scale imperial powers: Spain, the UK and Russia. All are in a pretty sad state today. Spain has taken centuries to recover from its imperial decline and remains one of the poorer nations of west-ern Europe. The UK gained its empire because it was powerful, rather than derived its power from the empire. It then suffered consequences of imperial self-indulgence, against which Cobden had warned. The plight of the Soviet Union, despite its vast military power, is obvious to the casual reader of the newspa-

Look more closely at contemporary western Europe. Incomes per head show a marked negative correlation with the size of a country's overseas empire, at its zenith, relative to that of the mother country. None of the richest countries - Switzerland, Norway, Sweden, Denmark, Finland - had an overseas empire, while the poorest, Portugal, was the pioneer of maritime imperialism.

Cobden's view of the futility of empire was subsequently repudiated in his own country, partly because it was so rewarding for the aristocratic and military classes, who continued to play a major role in domestic politics. Atavistic late nineteenth century English imperialism stimulated, and responded to, that of Germany. Even though Germany had managed to rival British economic strength without the burdens of an overseas empire, the Kaiser wanted such imperial baubles of his own.

In the Second World War, still

more primitive economic imperialism drove Japan's push for its Greater East Asian Co-prosperity Sphere and the Third Reich's for lebensraum. At great cost, both attempts were thwarted; but Japan and West Germany have since obtained more wealth, and almost as much influence as they could have desired, by selling the world better gewgaws. Nothing better illustrates Cob-



den's point about the primacy of than the relative position of Japan and the Soviet Union Japan and the soviet Union today. Both began their modern economic development a little over a century ago and both were devastated during the last war. Japan has less than half the population and 1.7 per cent of the area of the Soviet colossus. It lacks resources, other than its people, and is entirely dependent on trade for maintaining its standard of living. Yet its gross national product may well be greater than the Soviet Union's, while no comparison can be made in the quality of its prod-ucts and their acceptability in

world markets. If imperial expansion is futile. so is any other way of using force to obtain resources, particularly advanced industrial products. From the German reparations of the 1920s to the Japanese trade surplus of today, such transfers of resources have consistently been viewed as damaging to the domestic industry of the recipi-ent, rather than as additions to

In any case, transfers of resources from abroad, however large, fail to compensate for inability to develop domestically (as the subsequent fates of sixteenth century Spain and of the beneficiaries of the rise in oil prices of the 1970s demonstrate). prices of the 1970s demonstrate). Moreover, even if such transfers were useful, countries like Japan and West Germany have proved willing to offer voluntarily what an imperialist might try to extract by menaces. The usual complaint is that Japan offers too much, too cheaply and for too little in return, not the reverse.

Neither the possession of an extensive empire nor threats of force add anything useful to the prosperity of a "great power". They have become a form of con-spicuous consumption, as wasteful as the pyramids, but much less magnificent.

rightly despised by Cobden, will continue to be shown in mercantilist sabre-rattling. Such behaviour could even threaten the prosperity of us all. But events have given Cobden the victory, not least the advances of technology that have made a major war unthinkable for any but the insane. The age of the mercantile state has come. That of the military empire is gone, at last.

Economics Notebook

Feminism and man-made policies

IF THE proverbial man from ington towards the end of this week, he would have a golden opportunity to ponder one of the normally unremarked oddities of the world economy. He would be able to reflect

on the fact that around 50 per cent of the Earth's population are women while most of the thousands of officials, bankers and journalists arriving for the annual meetings of the Inter-national Monetary Fund and World Bank will be men. That running the world

economy is a predominantly male preserve raises few eyebrows and still fewer ques-tions. But now-some old assumptions may be challenged with the emergence of feminist alternatives to traditional economics.

There is nothing new to the idea that the present economic system is loaded against women, particularly in the developing world.

According to the World Bank, women in many parts of sub Saharan Africa make up around 60 per cent of the labour force and grow about 80 per cent of the food. Yet they earn only about 10 per cent of the money income and own only 1 per cent of the asse A recent report by a Commonwealth study group? claimed that the international debt crisis and the economic stabilisation measures adopted

to tackle it have ended 30 years of social and economic progress for women in some devel-oping countries. Women, it said, were put at a disadvantage compared with men because of their multiple roles as producers, home managers, mothers and community organisers, and by inadequate. access to productive resources

and support services. To some extent, these prob-lems had already been identifled and some action taken.

ble, the World Bank President, launched a "women in development" initiative some time ago in an attempt to improve their lot in Third World countries.

But a new book* by Ms Mari-lyn Waring brings the problem much closer to home. She says women in the industrial economies are in a similar position to those in the developing world because their contribu-tions to society are not recorded.

Ms. Waring, who once chaired the public expenditures committee of the New Zealand parliament, argues that the way in which retions that the way in which nations calculate economic activity lies at the root of the problem. The United Nations System of National Accounts, which has been developed since the Sec-ond World War to provide an internationally standardised measure of economic activity in countries, has established that certain areas of human activity lie outside what it calls the production boundary. Broadly speaking, productive economic activity is defined as having a market value.

This distinction has left non-wage household work in industrial and developing countries and much agricultural and handicrafts work in the Third World out the official

STATISTICS. As a result, Ms Waring claims that women have become largely invisible in

national accounts. The Commonwealth study group has pointed to the disad-vantages that this can create for women in the Third World. Ms Waring maintains that in industrial countries, a consequence of under-recording a woman's work in the home is the provision of meagre social and retirement benefits. To redress the situation, she

advocates a form of statistical When filling in forms for For example, Mr Barber Cona- censuses, labour force surveys

and household surveys, women should ignore the usual requirement to omit details of housework and designate themselves as "unpaid work-ers", giving a full account of hours worked in the home. In that way, governments would become aware of the role of

women in society.

One of the notable developments of 1989 has been the emergence and acceptance of environmental concerns as an important component of economic policy making. Where the greens have led, will femi-nists now follow? Ms Waring doubts it.

Men can support green economics without any loss of power, she says. By contrast, feminist economics is a threat feminist economics to male dominance.

British hopes

Hopes are growing among Brit-ish officials that Mr Nigel Law-son, the Chancellor, may be able to avoid a politically difficult decision over Japanese demands for Britain to step down from its number two position in the International Monetary Fund at this year's IMF annual meeting.

It is thought that the US, as the IMF's biggest shareholder, could block moves for a general increase in fund quotas or subscription rights at the meeting, as a result of problems with the Congress over the US

In that case, Japan's ambition to move up from five to two at the IMF woulds be almost certainly delayed by a few months at least. tEngendering Adjustment for the 1990s. Commonwealth Secretariat Publications, Marlborough House, London SWIY

5HX £6. *If Women Counted by

Marilyn Waring: Macmillan

London, £14.95.

THIS WEEK

DOMESTIC and international monetary matters move into the spotlight in a week that sees world economic policy makers converge on Washing-ton for this year's annual meet-ings of the International Monetary Fund and World Bank. The IMF and World Bank jamborees begin in an admittedly low key manner with officials from the Group of 24

developing nations meeting on Thursday and Friday in prepa-ration for a Saturday G24 ministerial meeting.
Also on Saturday, however, the finance ministers and central bank governors of the tral bank governors of the Group of Seven leading industrial countries gather to discuss the strong dollar, policy co-ordination and whether to increase the IMF's resources. Sunday sees meetings of the Group of 10 industrial countries and the IMF's policy making Interim Committee.

The US Federal Reserve
"Beige Book" on Wednesday
will give an idea of how the
increasingly influential
regional Federal Reserve banks view the US economy and monetary stance ahead of the next Federal Open Market Commit-tee in early October. US consumer price trends for August are disclosed on Tuesday. The consensus of analysts' forecasts compiled by MMS international, the financial research

company, points to a 0.2 per cent rise on the month. In Frankfurt, West Germany, the Bundesbank's policy making central council meets on Thursday. In Britain, Wednesday's

money supply figures for August are expected to show an acceleration in the annual rates of growth for Mo, the narrow measure targeted by the Treasury, away from the 1 to 5 per cent range it set for this financial year. The MMS con-sensus of forecasts is for seasonally adjusted M0 growth of 5.7 per cent compared with 5.3 per cent in July. M4, the broader measure which includes bank and building Peter Norman. society deposits, is expected to

Annual percentage change 20 M4 1 15 15 1988 1989

grow by 17.7 compared with 17.1 per cent in July. At the same time, bank and building society lending figures are Also on Wednesday, Britain

reports its unit labour costs, productivity and industrial production figures for July. The MMS consensus is for a 0.4 per cent monthly gain in manufacturing output for July and a 1.6 per cent rise in over-all industrial production. Other events and statistics (with MMS International consensus in brackets) include: Today: UK, Public Sector Borrowing Requirement for

August (£550m). Tuesday: US, August housing starts (1.48m), Japan, August money supply: July household consumption. The Hague, Netherlands, 1990 budget presentation. Wednesday: Kingston, Jamaica, meeting of Common-

wealth finance ministers. Thursday: US, 2nd quarter

GNP revised (2.7 per cent); GNP deflator (4.6 per cent), Friday: UK, 2nd quarter GDP average measure; August building society commitments. US, August personal income (up 0.3 per cent); personal expenditure (0.4 per cent). Saturday: Geneva, Switzerland, Opec committee reviews Sunday: Washington, IMF's

World Economic Outlook pub-

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INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL LOANS

Corporate woes make no impact

problems across the world -for Campeau, Bond Corporation and Eurotunnel to name but a few - seems to have little impact on international banks' appetite for corporate

credits at wafer-thin returns. The £1bn two-year credit for Bass, the UK brewing and lei-sure group, to finance its £1.3bn acquisition of Holiday Inns' North American hotel business, was heavily oversub-scribed, in spite of the mean-ness of returns to bankers. No fees were paid up front, except to the original underwriters, and the margin over interbank

Bankers also report oversubscription on the finely-priced transactions for the soon-to-be-privatised British water authorities. Even Mr Robert Maxwell

admitted that terms on the \$3bn financing for his Maxwell Communication Corporation were tight. The transaction is split into three parts - a \$1bn one-year term loan, a \$1.25bn five-year term loan and a \$750m three-year revolving credit. Underwritten by six banks, led by Crédit Lyonnais and Swiss Bank Corporation, which do not incidentally include two banks with long-standing relations with the Maxwell companies - Midland and Toronto-Dominion -the credit will be syndicated this week, when terms will be

If speculation is correct, however, the deal could be priced roughly around 35 basis points. If so, that compares with % point on a \$1.32bn facil-ity last year, one of the credits being refinanced.

Somewhat fatter margins prevail on the bank finance for Polly Peck's \$875m acquisition of Del Monte's fresh fruit operations. The \$550m in loans to finance this have been underwritten, and the deal is being syndicated by Credit Suisse First Boston.

The loans are to a group calling itself PPI Del Monte Fresh Produce BV, and lenders will have no recourse to Polly Peck. The financing is in three parts a \$75m three-year working capital facility, a \$200m threeyear ship disposal bridging loan and a \$275m eight-year

THE GROWING litany of term loan, with a six-year aver-corporate woes recounting age life. Margins for the loans start at 1% point, falling to % depending on debt to capitalisation ratios. Up-front fees

range from % point to % point. CSFB is also syndicating a \$200m, four-year deal for Wharf Holdings of Hong Kong. This general-purpose revolving credit carries a ½ point com-mitment fee and a ½ point

margin.
Citicorp is leading an Ecu255m financing for Autostrade dei Fiori, the highway of the flowers, running from the border with France to Savona, Italy. It is in three parts (a third of which will be syndicated to a smaller group of banks) comprising an Ecu65m, five-year portion at a 15 basis point margin, an Ecu65m, 10-year portion with a split margin of 17½ and 20 basis points, and a 20-year part, split 35, 40, 45 and 50. The funding is for

motorway improvements.

Chase Investment Bank is arranging a DM321m refinanc-ing for the Public Power Corporation of Greece. The loans have five years left to run, with a year's grace, and carry a ¼ point margin.

That compares with % point on an eight-year deal in April for the same borrower. arranged by Sumitomo, consid ered highly aggressive at the time. Front-end fees on the latest deal, which range down from 35 basis points, are higher and the maturity, of course, shorter. The status of PPC as a sovereign credit - and therefore subject to a lower (20 per cent) risk weighting than a regular corporate credit - is somewhat ambiguous. That is notwithstanding a letter from the Bank of Greece defining PPC as just such a sovereign

County NatWest has arranged a £168m limited recourse financing for Wimpey Little Britain, which sounds as if it should meet with Prime Ministerial disapproval but is, in fact, a City of London building being developed by the Wimpey Group. It matures in 1997 and terms have not been disclosed, although they are said to be similar to the % point margins prevailing on

Stephen Fidler

INTERNATIONAL BONDS

Launch brings thorny issue of disclosure to a head

WHAT DOES a Eurobond underwriter have to tell the market about a new issue and when does it need to be said in order to avoid misleading the market? And what exactly constitutes an attempt to mislead the market anyway?

The thorny issue of disclosure has been brought to a head by Baring Brothers' launch two weeks ago of a £200m issue of domestic debentures for Allied Lyons. On the day of launch, Baring Brothers took the unusual step of announcing that it placed only about 55 per cent of the issue with investors and explained it was making its statement on

EUROMARKET TURNOVER (\$m) 16.7973 9781 3.9821 6.4333 15.597.2 1.371.2 2.910.1 5.341.9 12.468.3 1.245.3 2.392.0 21.098.9 11.924.4 1.258.2 3.033.2 17.466.0

Melic Corp.(1)***\$\$

Koike Sanso Kogyo(j)**\$\$

Toyo Exterior Co.(k)**\$\$

Tayca Corp.(n)**\$\$

Tayca Corp.***\$\$

Tayca Hotes Shelfel**

Tayca Corp.***

from making misleading statements or from committing acts or courses of conduct which are designed to create a misleading impression of a secu-

However, Slaughter and May, the firm of City solicitors which advised Baring Brothers to come clean on its distribu-tion of securities, are quick to point out that the firm's disclo-sure was required because of the peculiar nature of the domestic debentures and should not necessarily apply to the Eurobond market.

"I'm not suggesting the peo-ple should go out and bare their souls and say an issue has gone badly," said Mr Nicholas Wilson, the senior partner at Slaughter and May who advised Baring Brothers on the Allied Lyons issue. While a domestic debenture issue can be said to be com-

pleted in a single day — mak-ing disclosure of final place-ment possible — the distribution of a Europh make telescoped over several weeks with completion of the deal occurring as late as a month after launch. It is not clear that

legal advice in order to avoid violating section 47 of the Financial Services Act.

This section, in two parts, prevents firms or individuals embourg, making the need to non-UK exchange, such as Lux-embourg, making the need to comply with UK laws even

more fuzzy.

The Allied Lyons securities, which are listed on the London Stock Exchange, were launched after a pre-placement letter had been circulated to potential syndicate members offering them the opportunity to buy stock at a margin of 105 basis points over the UK Trea-sury's 9 per cent gilts due 2008. Firms were to have an opportunity to hid between 9am and 2pm, after which the price of the issue would be set.

Although Baring Brothers was not required to specifically disclose how much of the offer had been taken up, Slaughter and May believed that to omit that fact, under the circumstances, could well have been misleading. And while sensitivities about disclosure have been heightened by the recent revelations of the Blue Arrow affair, Mr Wilson said that the announcement was prompted by the Financial Services Act, the relevant clauses of which have been in effect since April

Baring Brothers says it believes that, contrary to

NEW INTERNATIONAL BOND ISSUES

expectations, it has actually benefited from its disclosure. It has won plaudits from institu-tional investors relieved to know exactly how bonds have been distributed and says there have been none of the expected disruptions to secondary market trading that are generally believed to accompany disclo-sure of a firm's market posi-

Meanwhile, the Securities Association, the self-regulatory body to which most Eurobond underwriters belong shows lit-tle inclination to either force Eurobond issuers to disclose the performance of a new issue or even to represent accurately its performance in statements le to the market.

A spokeswoman said that the association believed that responsibility for firm guide-lines about disclosure rested with the Department of Trade and Industry (DTI), which would prosecute fraud cases, and that it had sought an opinion from that body.

For its part, the DTI said it had received no formal request

for such an opinion from the Securities Association but that it believed it would be up to the courts to decide what actions constituted misle behaviour in the Eurobond

However, the spokeswoman said that the Securities Association's own legal advisers believed that if existing Euro-bond market practice had been for underwriters to advertise their issues as "successful," even when they were not, it would be difficult to prosecute underwriters in future for that type of misleading statement, in spite of section 47 of the Financial Services Act. "If market practice is to say an issue is successful, with a wink and a nod, and everyone knows that it's not, it would be very difficult to launch a presecu-

difficult to launch a prosecu-tion," she said.

Meanwhile, the question of disclosure dogged the markets last week following the launch of a £100m five-year Eurobond for General Electric Capital Corp which, traders said, had been the subject of a so-called been the subject of a so-called short squeeze engineered by lead manager Kleinwort Benson. For its part, Kleinwort declined to comment on whether a squeeze had occurred or on the success of the issue, saying it was con-sulting with its lawyers and its compliance officers and would not say anything without

Its reticence to comment, according to Mr Constantine Von Schweinitz, head of debt

syndicate and swaps at Eleinwort, reflects the concern about disclosure raised by the Allied Lyons issue. The issue officially closes on September 26 and the firm will decide then whether or not to make a

But dealers said that the issue, launched into a weak market, had begun to suffer from the start when it was issued last Tuesday. A group of 10 firms had been asked by the borrower to hid on either the bond, the swap or both. Kleinwort won the mandate for both, leaving nine disappointed

both, seaving nine disappointed competitors who had already begun sounding out clients about the securities.

The issue is rated AAA and is GECC's first in Eurosterling, making it a prestigious mandate for which bidding was interest.

The issue began to suffer almost immediately, falling outside the 1% per cent fees on the day of launch and continu-ing the next day. However, dealers said that a shortsqueeze was engineered, begin-ning late Wednesday afternoon and by Thursday morning bro-kers' screens were displaying a bid price of less % per

Norma Cohen

_							
Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield
US DOLLARS							
Sharp Corp.Φ◆	500	1993	4	312	100	Nomura Int.	3,500
Yuasa Battery Co.9♦	150	1993	4	35g	100	Nomura Int.	3.625
Societe Generale Fin.	100	1993	4 5	91 ₆	100.15		9.079
Euro Credit Card Trust	325	1994	5	9	99.80	UBS Phillips & Drew	9.051
Bergen Bank∳	20	1990	1	85	100.6875		7.883 .
Bank Communications(i)‡	100	2001	12	10bp	100	Goldman Sachs Int.	
Hokuetsu Paper Mills4	150	1993	4	(4 ¹ 5)	100	Yamaichi Int. (Eur)	*
Mitsubishi Metal Corp.	300	1994	5	(45 ₈)	100	Nikko Secs. (Europe)	*
Exxon Capital Corp.	250	1994	5	8 ¹ 2	99.80	CSF8.	8.551
CANADIAN DOLLARS							
Toyota Motor Cr.Corp.◆	150	1994	5	1032	1013	Nomura Int.	9.914
Vereins-und Wbank int.	75	1991	2	11 ¹ 8	1015	Bankers Trust Int.	10,186
AUSTRALIAN DOLLARS							·
Fed.Bus.Dev.Sk C'ada(b)◆	50	1990	1	19	101%	Bankers Trust Int.	16,810
CIBC Australia	40	1992	3	15 ¹ 2	1013	Fay, Richwhite	14.737
D-MARKS	_						
Nippon Piston Ring♦◆	100	1994	5 7	11/2	100	Deutsche Bank	1,500
Vnesheconombank	500	1996	7	7½	1004	Commerzbank	7.453
SWISS FRANCS	_			_	_	•	
Carter Holt Harvey(a)§◆	125max	1994	•	5 ¹ 2	100	S.G. Warburg Soditic	5.576
Meitic Corp.(I)★★5◆	50	1993	-	3	100	Royal Trust Bank	0.375
Meiric Corp.(I)★★9◆	50	7993	-	.*	100	Royal Trust Bank	

Borrowers	Amount	Maturity	Av. life	Coupon	Price	Book runner	Offer yield
Girczentraie-Viecna(c)♦●	50	1999	·	414	100	Credit Suisse	4.25
S'tomo Spec.Metals(h) **	200·	1994		Zero	100	SBC	
Mitsuba Electric Mfg. **	70	1994		25	100	Wistschafts-und Prok	2.62
Ebara Netherlands**	35	1994	. •	6-8	100 4	Dal-Ichi Kangyo Bank	8.066
Benkan Corp.★★◆	25	1994	-	64	99 ⁻ 4	Yokohama Finanz	8.370
int_inv_Hoiding(p)	50	1994	-	(6%)	(9912)	DG Bank (Switz)	-
STERLING	· ·		· · · · · ·			<u> </u>	
Gen. Electric Cap.Corp◆	100-	1994	5	112	101 2	. Kleinwort Benson	11.093
TMC Pimbs First Fin.2t	250	2029	. 72	(m) .	100	Salomon Brothers	
ECUs							
Unilever NV	100	1992	3	87	101.58	San Paolo Bank	8.267
					<u> </u>		
Volkswagen Int.Fin.♦	150bn	1994	5 .	1212	101%	Credito Italiano	i, 98 6
GUILDERS			٠.	· .	<u> </u>		
Mitsubishi Metal Corp.	200	1993	4	(24)	100	Amro Bank	*
YEN	`		'				
Mitsul and Co.int.(d)	20bn	1993	4 .	8.06	1015	Yemsichi Int. (Eur)	7.501
Toyota Tausho Fin.(e)◆	3bn	1994	5	64 · ·	101 🕏	Manuman Secs. (Eur)	5.807
SDS Bank Ltd.(f) •	1500	1993	34	n.	101.275	Yamaichi Int. (Eur)	-
C.Cen.Designdins Quebec	11bn	1993	4	5.35	101 %	LTCB int.	4.803
Montreal Trust Co.(o) ◆	8bn . ∶	- 199 3	4	Zero	84.52	Mitsui Trust, Int.	4,294
which yet priced, #rkPrivate place convenible 3½ %, 1927/87 bord - Duel-currency, Borrower option to duel-currency, Yon/AS limited, 1) Pr warrants each can be ensched it 8-month Libor, Call at par from Oc	ind buy one repay in USS ref coupon 25 No one perio	new boad k st 74 cents p Sp over 3-mo lossion-centific	or two stew per AS. c) Yie poth Libor, th page for Schi	bonds. Come lid to put 3.56 sereater forts 147 between it	ersion price %. d) Rede ule finised b lov.1989 and	n M293.45. Yield if not comm reption singed to Niklosi stock i o Mikkel stock indek. g) Each & Oct. 1994. h) Yield to put 3,61	erted 8.025%, b) ndex, e) Reverse SFr5,000 hea 100 HF%, D 700p over
warrants each can be exercised in 6-month Libor. Cell at par from On 5-month Libor first 10 years, +50t 3,594%, o) Unitated, b) Indicated	t 1996. Pot at p theregiter.	per in Oct. 196 Call from July	16. jj Yiekt 16 r 1994 if ices	put 8.621%. 1	t) Yleid to p issue outstr	et 3.560%. () Yield to put 3.555 unding and after 10 years at p	%. m) 185p er. n) Yleid 1

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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Campeau sparks junk bond turmoil

The question only sounds insane. Mr Campeau is, if anybody needs reminding, the Canadian businessmen who

embled one of the world's largest department store empires with nothing except \$10bn in loans and a dream. Last week, to the surprise of nobody except Mr Campeau, his present and former investment bankers at First Boston Corporation and the unfortunate buyers of the junk bonds. this short-lived empire began to crumble. Campeau admitted it did not have enough money to buy stock let alone meet payments due to the

dholders. To keep control of the business, Mr Campeau spent last week negotiating with the only source of new capital around, Olympia & York, the Canadian real estate developer. This company, which is owned by the Reichmann family of Toronto, helped him finance his \$6.6bn takeover of Federated Department Stores last

investment bankers and bon-

Late on Friday evening Cam-peau duly announced that it had secured a \$250m loan from

Olympia & York. But this \$250m, though it will fill Bloomingdale's with imitation leopard-skin skirts. will probably cost Mr Campeau control of the company. The Reichmanns, who had amassed a 25 per cent stake in Campeau up to last week, look certain to exercise ever-greater authority over the troubled business. "We're like the Allied powers in Second World War," an Olympia official was quoted as saying about Campeau last suddenly became possible to year. "When the war is over, find lenders for a takeover of year. "When the war is over, we'll be moving in to scoop in

as many pieces as we can." For the lunk bond buvers there may not be many pieces left. One of the many infuriat- rather than actual ing things about junk bonds is encouraged all sorts of poor

THE Federation of EC Stock

Exchanges has agreed to create a shared market information

service in a move towards establishing a market for top

European securities, Reuter

reports.

The agreement was reached during a two-day meeting of the heads of EC bourses. No

timetable was set.

EC bourses to share information

HAS Robert Campeau saved that it is hard to find out bid and offer prices. This obscurity allows investment bankers to draw a veil over their less sought-after issues.

But according to one dealer, the 11½ per cent bonds of 1997 issued by Allied Stores (bought by Campeau in 1986) were trading at 32 cents on the dollar on Friday. Federated's 16s of 2000 were trading in the low 70s cents on the dollar. Whether the Campeau organisation survives, is taken over by the Reichmanns or is dismantled, it does not look as if junk bond

buyers will do very well.

Last week's bother at Campeau has plunged the \$200bn junk bond market into its worst crisis ever: worse than during the Boesky affair in late 1986 or when the stock market crashed in late 1987. Traders say that the market in many issues has all but dried up. This sounds terrible but may

be a blessing for the credit markets, and the US financial system as a whole. This phrase will no doubt haunt this column all the way through the Great Depression of the 1990s, but it will say it all the same: the junk bond crisis is bullish. It is bullish on a purely mechanical level. There was strong evidence last week that junk bond investors, intrigued by the possibility of actually receiving interest and principal, were buying higher grade debt securities. On Thursday, which was the worst day for

junk last week. Treasury bonds rose across the board and interest rates fell modestly. But that is just one part of it. In the past five years junk bonds have fuelled a sharp rise in the stock market because it any company, anywhere, at more or less any price. The lure of high yields - even if they turned out to be optical

The project, which will pro-

vide prices and company news, follows French and UK stock exchange proposals made sev-

eral months ago for an even-

tual screen-based market cov-

ering the top 200 to 300 European stocks.

The European bourses agreed to go ahead and prepare operating arrangements.

business practices in the savings and loan and insurance industries. If allowed to run its course, this speculative frenzy could easily cause another crash and one that, this time, would usher in a severe business recession.

The US business expansion has only lasted this long because of what might be termed a rolling liquidation of the worst speculative excess: first in agriculture, then in energy markets and now in the leveraging of industrial and service companies. The secret is to shake out the speculators batches not, as in the 1920s, all together.

But there is one shadow over

this optimistic picture and this was cast last week not by Campeau, but by United Airlines. Up to now the banking system has remained insulated from the problems of highly lever-aged companies such as Campeau. The banks are shielded from loss at these companies not so much by the stockholders' equity, which is usually minuscule, but by a fat cush-ion of junk bonds and, occa-sionally, investment bank bridge loans. Not at United

On Thursday Citibank and Chase Manhattan announced

own to the leveraged buy-out of United Airlines and were highly confident they could syndicate \$4.2bn in other loans. Between them and loss is no subordinated debt: just \$750m in cash equity from British Airways of the UK and a promise of pay concessions from the 6,000 unionised pilots.

Bankers to the deal were saying last Friday that the money was safe because the pilots were on board and had promised \$250m a year for seven years in pay concessions. But the airline business is prey to uncertainties other than labour costs. These uncertainties include the general level of business activity, fuel costs, interest rates, competition, technology and accidents.

If the US commercial banks are already risking their capi-tal on leveraged buy-outs in such volatile industries as commercial aviation, then the lesson from Campeau is not a lesson as the bankers are not listening. Last Friday's speculation that a bank was about to go under because of bad leveraged buy-out loans was just a crazy rumour. But imagine if it had been true. Campean chief may step down, Page 27

they would tend \$300 of the	James Duchan									
US MONEY MARKET RATES (%)										
_	Last Friday	1 week ago	4 wis ago	12-mosth High	12-mosth Low					
Fed Fands breekly average!. Ture-month Tressny bills. Shr-month Tressny bills. Three-stanth prime Clbs. 30-day Commercial Paper. 90-day Commercial Paper.	9.06 7.76 7.93 8.75 8.80 8.60	8.94 8.01 8.19 8.80 8.90 8.75	9.00 8.18 8.06 8.80 8.70 8.45	9.92 9.03 9.03 10.35 9.95 10.05	8.00 7.15 7.37 8.18 8.05 8.14					
US BOND PRIC	CES A	ND Y	ELDS	(%)						
	Last Fri.	Change On Wk	Yield	l week ago	4 wt.					
Seres-year Treasury	98.1 1101	**	8.06 8.17	8.17 9.20	8.07 8.70					

Seres-year Treasury	984 1104 1004	+& +& #4	8.06 6.17 8.07	8.17 8.20 8.07	8.07 8.20 8.11
Money supply: In the week ended \$2.7bn to \$774.7bn	1 Septer				(estimates). d M1 fell
NRI TOKY	O BC		DEX ORNANCE I		
December 1983 = 100	7 9 89	Average yield (%)	Last Veek	I2 wis	26 wks ago
Oterall	149.97	5.71	150.24	147.43	147.53
Government Bonds	149 51	5.08	150.27	147.27	147.54

5.05

5.00

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The Bank of New York Crédit Lyonnais London Branch The Industrial Bank of Japan, Limited Bank of America NT & SA Barclays Bank PLC Crédit Agricole - CNCA National Westminster Bank PLC

Arab Bank Limited Creditanstalt-Bankverein The First National Bank of Chicago IBJ Schroder Bank & Trust Company The Toyo Trust and Banking Company, Limited

Manufacturers Hanover Trust Company Lloyds Bank Plc The Bank of Nova Scotia Commonwealth Bank of Australia Credit Suisse The Long-Term Credit Bank of Japan, Limited Security Pacific National Bank The Bank of New York Crédit Lyonnais The Industrial Bank of Japan, Limited Bank of America NT & SA Bardays Bank PLC
Crédit Agricole – CNCA National Westminster Bank PLC Arab Bank Limited Creditànstalt-Bankverein The First National Bank of Chicago IBJ Schroder Bank & Trust Company The Toyo Trust and Banking Company, Limited

Manufacturers Hanover Limited

No shake-up after economic data

LAST WEEK's clutch of economic statistics summed up the current state of the UK economy and went a long way to explaining why the market closed broadly unchanged on the week.
They also explained why the

British Treasury is less than thrilled with the current conjuncture in the economy.

From the market's point of view the numbers cancelled each other out. Encouraging producer prices and provi-sional retail sales data on Monday came up against less encouraging labour market and retail price figures on Fri-day – not to mention heightened worries of a tightening in German and Japanese mone-

in general, the economy has performed much as the Treasury thought it would, especially the housing market and the consumer (though there is a residual fear that if the monetary squeeze is loosened too early then the pent-up demand in the housing market will prove inflationary again). Growth in industrial production, although robust, is moderating as it was meant to.

If there is one key disap-pointment, it is that the Trea-sury has not got the inflation improvement it thought it would. A given level of interest rates has borne down on the real economy as planned, but they have not produced the expected decline in inflation.

UK gifts yields ated at per (%) Sep 15,1989 Aug 18,1989

In spite of the slight downgrading of the significance of MO, the Treasury realises it will have some explaining to do about its misbehaviour. It may not be within its target range of 1 to 5 per cent growth by the end of this financial

10 years 20 30

Of more immediate concern is the M0 number out this week. Some analysts believe it might have risen in August by 6 per cent on the year, after allowing for seasonal varia-tions. The official line appears to be that seasonal adjustment is poor in the summer months (as with the winter) and the rebound might reflect higher spending on back-to-school

Friday's inflation numbers gave few in the City any cause to alter their forecasts. Some

% point rise in the mortgage

There can be little wonder that activity in the market is desultory. For the domestic investor there is little to play until he can become confident that the next move in dozastic interest rates is down. In this context the foreign exchanges provide little comfort.

The robustness of sterling still remains a prime concern in the market. If has been side ined in the past couple of weeks as the foreign exchange market attempts to take the dollar above DM2. A look at real interest rates over the past year provides a cine to what is needed to keep the pound around current levels. In August, real interest rates

- three-month deposits deflated by the retail/consumer deflated by the retail/consumer price index — needed to be 2 percentage points higher than West German rates, 25 points higher than US rates, and 35 points higher than Japanese rates. Assuming no change in US and German monetary policy, it seems likely that real interest rates in those two interest rates in those two countries will increase as infla-tionary pressures abate. On unchanged monetary policy in the UK, real rates might rise a half to 1 percentage point by the end of the year. To the extent to which the

expect a slightly higher end-year rate (ie, above 7 per cent instead of just below it) because they have included a one more time then the pound

may have problems. In May, the authorities were forced by sterling's precipitate decline to raise interest raise. The initial rationale was the support of starling only later did the authorities come to see that 14 per cent base rates were needed for domestic reasons as well. It is not beyond the hours of receibility that

the bounds of possibility that they will face a similar test before the year is out.

This Friday's £400m reverse auction again raises the medifying prospect of the shrinking gilts market. Mesars Simon Briscoe and Richard Reveil, of Greenwell Montagu, calculate that the market will shrink by some £20bn to £25bn this finan-

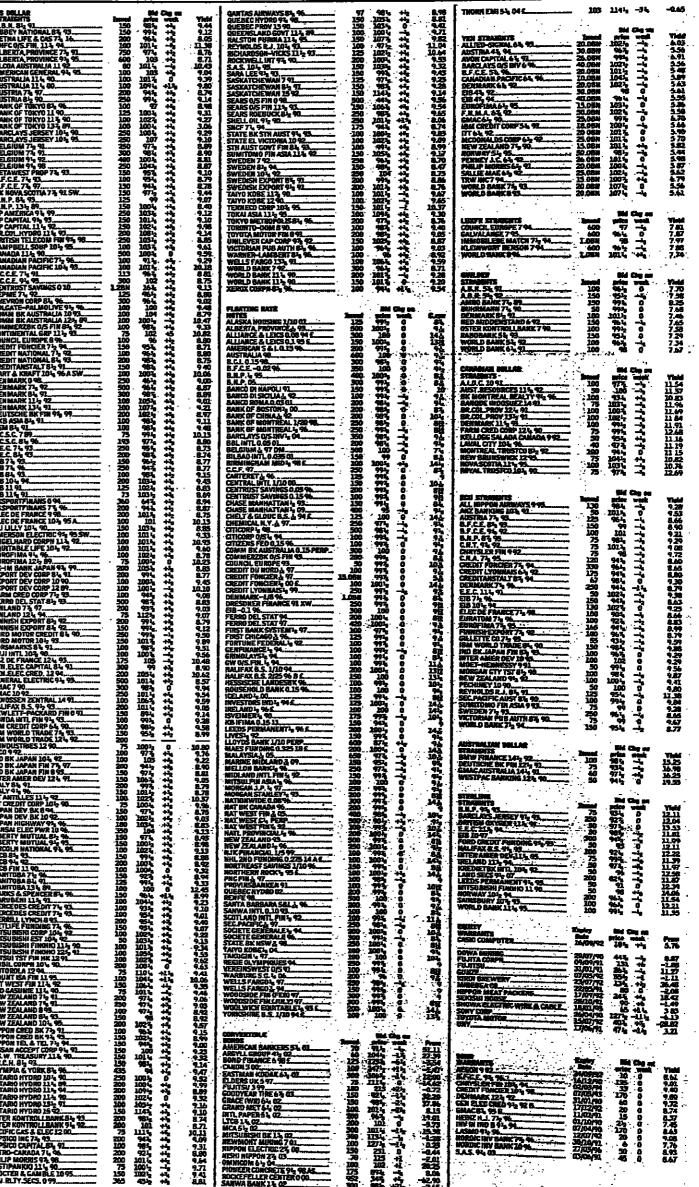
cial year.

They estimate that foreigners hold £16.8bn of gilts (of which foreign central banks which foreign end UK insurance companies and pension funds hold 262.5bm. If foreigners do not self, because sterling remains firm, then prices will have to rise to induce domestic investors to part with their stock. They conclude that there is virtue for the domestic investor in holding on for the price rise which they believe the Bank's buying should

Simon Holberton

69)di

FT/AIBD INTERNATIONAL BOND SERVICE



INTERNATIONAL CAPITAL MARKETS AND COMPANIES

nic dala W Germany's bankruptcy laws under fire

Haig Simonian on demands for legal reform in the wake of the Co op failure

and a good road map, any of the thousands of suppliers of Co op, the troubled West German retailer which last week applied for receiver-ship, can make their way, to Frechen, a small town near

Cologne.
What they will find there is another matter. For, as with the group's 10 other regional depots, while loaded tracks can roll in, access for those wanting to take out their - as yet unpaid goods is strictly ver-

reclaim their stock has accelerreciain their suck has access-ated since Co on, Germany's sixth biggest retailer, amounced on Wednesday that its 124 unsecured creditor banks had failed to agree to a last-minute restructuring package, forcing it into receiver

ship.

With a frantic round of bankers' meetings, culminating in an urgent session on Sunday afternoon, taking place in the past 46 hours, the number or irate suppliers will rocket should Co op's creditors fail to reach a solution allowing the withdrawal of its receivership

For, as the picture at Fre-chen shows, tales of bounced cheques and demands for cash on delivery, which have snow-

Ferruzzi names

new trade chief

FERRUZZI, the Italian foods

group, has named a new head for its trading operations and reorganised its grain and bean trading to the in more closely

with its agricultural processing.

activities. Ferruzzi said that Mr

Romane Venturi would take over as head of the group's

trading operations. It con-

firmed that three senior man-

agers had resigned from its

French division as a result of

disagreements over the new

liaison with Mr Renato Picco, head of Ferruzzi's agri-industry

Central Soya, the US soya bean

processor bought in 1987.

Mr Venturi is to act in close

By George Graham

in Paris

iven an empty lorry balled as companies through-and a good road map, out Germany pore over their any of the thousands of books to ascertain their Co op exposure, have again thrown light on the enomalies in Germany's current insolvency

> Quite why Co op, or its lead bankers, frittered away so much of the vital three weeks allowed to companies under German rules to restore their finances once a shortfall has been discovered remains one of the key questions in its saga, temperarily eclipsing how the

group got into such a mess in the first place.

What is already clear is that the six "pool" banks co-ordinating its finances, and especially Swiss. Bank Corporation, Amro. Security Pacific and Svenska Handelsbanken, the form foreign institutions which four foreign institutions which now own some 72 per cent of its shares, are no longer work-

ing together harmoniously.

The creditor banks' lack of enthusiasm is understandable. entanciasm is understandable.
Only in February had they
accepted a DML95bn (\$1.02bn)
rescheduling package, and
matters have clearly not
improved since.
But the longer it takes the
banks to plug the additional
DM750m of overindebtedness
Co on discovered when it pro-

Co op discovered when it pro-duced preliminary comprehen-sive accounts last month, the

By Hugh Carnegy in Jerusalem

KOOR Industries, Israel's

higgest industrial group which is battling against large debts and losses, plans to treat, its Tailian subsidiary as a prop-erty for sale in its half-year results due this month

results due this month.

The move, aimed at reducing the impact on the group of the

unit's heavy losses, is appar-ently prompted by worries about Koor's debt/equity ratio. It will have the effect of remov-ing Tadiran's estimated first-half loss of \$75m from Koor's

ran will be consolidated in the

group accounts on an equity basis.

Koor officials say this will

result in a reduction of the

group's equity by an amount

equivalent to the Tadiran loss. But, crucially, the effect on the



Hans Friderichs: has made some harsh comment

the group, which is currently being administered by a tempo-rary court-appointed receiver, will tip over the edge into Germany's biggest-ever bank-

The company still hopes that enough banks will be per-suaded to accept DG Bank's plan to write off 75 per cent of their unsecured loans in return for the remainder in cash at the end of this month. But, as matters at Co op's depots have dramatically shown, the patience of its suppliers and landlords is being increasingly

Koor acts on loss-making unit

greater - they say the total Koor debt of \$1.25bn will be reduced by about \$400m, the

Koor, a trade union-owned

conglomerate struggling to

keep its head above water after fending off a liquidation suit brought against it by Bankers Trust of New York last year,

announced last month that it planned to sell off Tadiran,

which accounts for more than

The key question is how

a third of group turnover of

Koor creditors will react. Koor

has been especially concerned not to exceed a debt/equity

ratio of 3:1, above which some

\$100m of bonds issued by Koor in the US could be called in. Koor is also not entirely

clear of the liquidation threat.

A rescheduling agreement was

amount of the Tadiran debt.

The landlords are particularly important in the case of Co op's rented property. Their contracts enable them to give said that every interested party the company immediate notice in the case of receivership. "who got in touch and was With Co op's wealthier rivals already offering fancy prices to take over its best sites, the

temptation to evict is growing harder to resist. Mr Hans Friderichs, the former German Economics Minister and chief executive of Dresdner Bank who, since December, has chaired Co op's supervisory board, had some harsh words to say about the German bankruptcy rules last

The law "was supposed to have been reformed years ago," he said. For unlike Chapter 11 in the US, which gives a com-pany in difficulties time to restore its finances, the German system, supposedly designed to protect creditors, has just the opposite effect by completely tying a company's

But even the cool Mr Rriden. ichs has come under fire in the latest round of Co op's trou-bles. Although widely praised for his calminess at first, some say his stress on consensus is inappropriate now Co op has its back to the wall.

For even if Sunday's talks resolve the crisis, each passing

reached in June with Bankers

Trust, other foreign creditors and Israeli banks under which

the court winding up applica-tion was removed. But contin-ued concern about the finan-

cial condition of Koor has

delayed the signing of final

The foreign creditors, led by

documents on the agreement.

Manufacturers Hanover, have

blamed the Israeli banks for

the delay. It is understood that

the delay is caused by growing anxiety on the part of the four big Israeli banks, which carry most of the Koor debt, that the

"first out" concession to for-

eign creditors in the June

agreement leaves them unac-

Israeli bankers deny they

want a renegotiation of the June accord, but they say they may seek an adjustment.

ceptably exposed.

buys top carriage day thereafter turns it increasmaker ingly into a break-up candidate. Mr Friderichs himself By Andrew Fisher admitted as much when he in Frankfurt

serious was received."
Yet their interest proves SIEMENS, the West German electrical and electronics conthat, once restored financially, Co op could form a potentially cern, is to strengthen its position in the rall transport secattractive part in the realignment taking place in European retailing, especially after this month's creation of a wide-ranging alliance between a

number of European groups.

Co op's food production activities have already been sold to DG Bank and Bank für Gemeinwirtschaft. While its 1,858 urban supermarkets only have a limited appeal in view of their smallish average size of just 606 sq m, its relatively large number of bigger units is another matter.

Interest is likely to focus on the 47 Plaza hyperstores, with an average size of almost 7,000 so m. as well as its 78-odd do-it-yourself outlets, which average about 1,800 sq m

German zoning laws now make it virtually impossible to open new greenfield sites, meaning that such outlets carry a strong rarity value. However, all the Plaza sites are rented, putting their future in some doubt.

Nestlé agrees to

sell Beech-Nut

By James Buchan in New York

RALSTON Purina, the US food manufacturer, is buying the scandal-plagued Beech-Nut baby food company from Nes-tlé of Switzerland. The terms of the deal were not revealed but the deal were not revealed but Wall Street believes that Ralsion is paying less than \$100m. Ralston, which makes break-fast cereal and cakes and is the world's largest maker of pet

pany. Beech-Nut, based in suburabout \$150m from juice, cereal and processed food for babies and is the second largest babyfood company after Gerber

HYUNDAI

food, signed on Friday a letter of intent to buy Beech-Nut from Nestle Enterprises, a US

subsidiary of the Swiss com-

tor by agreeing to buy control of Duwag, one of the country's leading train carriage and chassis manufacturers. Diwag has a turnover of about DM300m (\$150m) a year

Siemens

and employs 2,200 people. Slemens said the deal was aimed at widening the type of equipment it would be able to supply to railway authorities, which increasingly want to

deal with only one supplier. Both companies already cooperate on domestic and for-eign contracts and have worked jointly on urban rail-way projects in Canada and the US. Diwag is also a big supplier to Inter City Express (ICE), the high-speed network of German Federal Railways (Deutsche Bundesbahn). Siemens declined to give a

price for its majority stake in Düwag, which it said was in profit. The deal is dependent on the approval of the Federal Cartel Office in Berlin. Sie-mens will purchase the holding from Waggonfabrik Tal-bot, a family-owned company which has more than 75 per cent of Düwag's shares and which will retain a minority

interest. Last year Siemens posted a turnover of nearly DM1bn from its transport technology activities, which will be made into a separate division from the start of the next financial

year on October 1.

The group said it intended to build up its business in the supply of electrical equipment for railways.

Mr Kurt Capellmann, head of Waggonfabrik Talbot, said other companies had also wanted to buy Duwag. But Sie-mens offered the best prospects for Düwag's further growth and job security. Siemens' aim of building up

its rail activities come as other leading German companies have been manoeuvring to increase their standing in the transport sector. AEG, the electrical and electronics subsidiary of Dalmler-Benz, has

Campeau chief may be forced to step down

By David Owen in Toronto

IT LOOKS increasingly as though Mr Robert Campeau. the impulsive French-Canadian property developer, is poised to relinquish control of his hast-ily assembled North American retailing empire.

Bankers are expected this week to accept conditions attached to a proposed \$250m convertible secured loan to Campeau Corporation from the Reichmann brothers' Olympia & York Developments (O&Y).
The loan, which is desperately needed to address liquidity requirements at Campeau's Allied Stores and Federated Department Stores units,

would raise the Reichmanns' fully diluted stake in the company to at least 35 per cent. Campeau admitted last week that "certain elements of the agreement in principle with O&Y might be deemed to con-

Stitute a change in control of Campeau Corporation." If the loan proceeds, the Campeau family's interest in the company would fall below the 50

At this stage it is not even

clear whether the headstrong Mr Campeau would have a role to play in a "senior executive management group" which will take charge of refinancing and restructuring the highly leveraged company.

The group will report directly to a so-called "committee" of the Campeau Corporation board "including represen-tatives of minority shareholders." The restructursnareholders. The restructur-ing will include the sale of the illustrious Bloomingdale's department store chain, for which three interested bidders have emerged already.

Delays in securing the neces sary clearances for the \$250m loan meant that Allied was unable on Friday to pay interest of about \$45m on an issue of senior subordinated deben-

Allied said that the indenture relating to the securities permitted a 30-day grace period. No other Allied debt would be in default as a result of failure to pay such interest during that period, the com-pany added.

Liffe members apply to use screens for trading

By Katharine Campbell

ABOUT a quarter of Liffe members have committed themselves to the first stage of screen-based trading on the London futures market.
Automated Pit Trading, the

system which the exchange has been developing over the last two years, aims to replicate the ecology of the trading floor, initially for limited afterhours business.

About 50 members, responsible between them for roughly two-thirds of the market's total business, have agreed to rent terminals, said Mr Michael Jenkins, Liffe's chief executive. The initial subscription is £15,000, with an additional £900 per month rental, through which the exchange effectively

recours its development costs. While Liffe has not been overwhelmed by applications,

there is a comfortable quota with which to start, and fur-ther applications are expected. Mr Jenkins agreed a commitment at this stage was some-thing of "an act of faith."

The London market has spent on APT only a fraction of the money lavished on new systems by some US exchanges. The initial costs are high, putting a premium on a reasonable turnover at the start. Unlike with Globex, the joint venture between the Chi-cago Mercantile Exchange and Reuters, members do not pay a per-contract levy.

The exchange has so far refused to set an official start date, although it is understood it hopes to begin between mid-and late-November if training and simulation sessions go

group's debt will be much

THE CONSTRUCTIVE POWER

Interim results for the six months ended **30th June, 1989**

up 91% Pre-tax profits of £,10.2 million up 77% Earnings per share of 34.5p up 7.4p Dividend per share of 10p

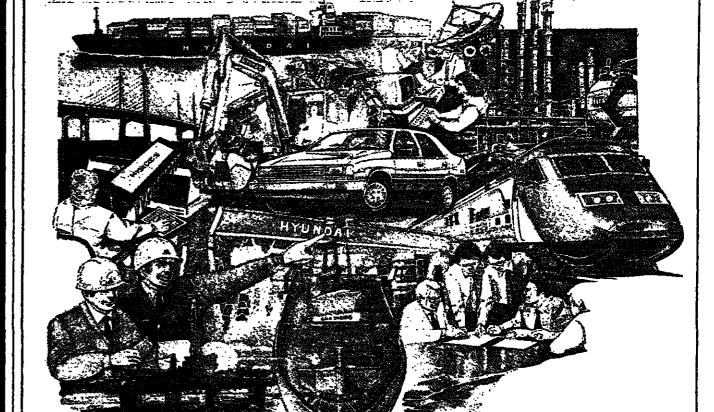
Profit and dividend forecast for the year ending 31st December, 1989

Pre-tax profits of not less than £27 million Earnings per share of not less than 90.4p Dividend per share of not less than **32p**

up 84%

up 85% up 94%

- 1. The interim resuts and profit and dividend forecasts referred to above were announced on 1st September, 1989 and are unaudited. Copies of the interim statement and profit forecast are available from the Company Secretary, Tilbury Group Plc, Tilbury House, Ruscombe Park, Twyford, Reading RG10 9JU.
- 2. The directors of Tilbury Group Plc accept responsibility for the information contained in this advertisement and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts.



How Do You See Hyundai?

You probably picture Hyundai as a maker of affordable, highquality cars.

That picture's not wrong. Just incomplete.

Those who work with advanced computers, ships and nuclear power plants have a better idea of our scope.

In fact, you'll find the Hyundai name behind sophisticated engineering projects, petrochemicals, robotics, and satellite communication systems, among other exciting and diverse industries.

Which is why, in Korea, Hyundai has become a symbol of our nation's economic progress.

So by all means, remember our cars. But don't forget the big



K.P.O. Box 92 Seoul, Korea TLX: K23111/5 FAX: (02) 743-8963

Asda set to buy 61 Gateway superstores

ASDA, the supermarkets group, is expected to announce agreement today on the terms for the purchase of 61 superstores from Isosceles, the con-sortium especially formed to purchase retail group Gateway. The sum being paid - £705m

- is the same as was agreed by the two parties before Isosceles launched its bid for Gate-way last April.

However, Asda is receiving one less superstore than was originally agreed but will gain a larger proportion of freeholds and some peripheral property development opportunities.

The bulk of the financing for the deal will come from existing bank facilities but Asda is also expected to announce today a £150m convertible bond, which will be placed in the UK, and will have conver-sion rights over between 5 and 10 per cent of the group's

Morgan Stanley, the US bank which has been advising Asda, is considering with the group a financial package which will exploit Asda's freehold

Mr John Hardman, Asda's chairman, wants the benefits

of any package to flow toshareholders so a sale and leaseback plan can be ruled out. Asda says that on current projec-tions its gearing ratio will fall to around 50 per cent by April

Asda will send a circular to shareholders about the purchase in the week beginning September 25. The deal will catapult Asda from fifth to third in the UK food retailing league and will enable the Isos celes group to pay off a sub-stantial proportion of the debt it incurred in financing the £2bn plus bid for Gateway.

Platignum misses forecast and falls into the red at £2.9m

By Christopher Parkes, Consumer Industries Editor

THE NEW management at THE NEW management at Platignum, the pens, furniture and housewares group, announced pre-tax losses of £2.9m for the 14 months ended March 31, compared with profits of £301,000 for the previous 12 months. 12 months.

The new team which took control a week before the end of the period covered, said in a statement that it was clear a £174,000 profit forecast indi-cated for the period under review was founded on information which had proved to be materially incorrect.

On turnover of £28.3m the company reported an operating loss of £267,000 compared with an operating profit of £716,000 on sales of £23.7m. Interest

suites on London's south bank.
Mr Quinn, formerly with charges totalled £598,000. After tax and extraordinary items, Debenhams stores group and the Stanley Gibbons stamp company, took charge after The accounts reflected more prudent accounting and a realthree private furniture compa-nies controlled by Mr Stanley Cohen were reversed into the istic view of the company's assets, Platignum said. Reorganisation had brought costs of £1.15m for stock rationalisastruggling pen company in tion, £515,000 against bad debts and credit notes, and £285,000

Mr Cohen, a self-styled com-pany doctor, turned round the USM-listed Betterware house-wares business and was for the write-down of fixed Mr Stephen Quinn, manag-ing director, said the company involved in the 1987 manage-ment buy-in of Schrelber furni-ture which was sold to the MFI was now trading profitably. Plans were in hand for the disretailing group in 1988 for £40m. He is also closely con-nected with MK Trafford, posal of tool making and injection moulding businesses. The company also intended to sell Ouvah Highfields, a property company which rents office which recently took over Man-chester United Football Club.

This announcement appears as a matter of record only.

KLM Royal Dutch Airlines

U.S. \$125,000,000

Cross-border lease financing of one Boeing 747-400 Aircraft

Citibank, N.A. and Citilease Co. Ltd.

acted as advisors, structured

and arranged this transaction

London-Tokyo-Amsterdam

August 1989

CITICORP

This advertisement is issued in compliance with the regulations of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any securities in Lookers plc.



Issue of 8 per cent. Convertible Cumulative Redeemable Preference Shares of £1 each at par ("Convertible Preference Shares") in connection with the Offer for the whole of the issued share capital of SMAC Group plc not already owned by Lookers plc and the Rights Issue to existing Lookers shareholders

Issued and to be issued pursuant to the Offer Rights Issue £8,252,400 £6,386,437

The Council of The Stock Exchange has admitted the Conventible Preference Shares to the Official List and, following the passing of the resolutions at the Extraordinary General Meeting of the Company held on 15th September, 1989, dealings are expected to commence today (fully paid in respect of the shares issued pursuant to the Offer and ni paid in respect of the shares issued pursuant to the Rights Issue). Particulars of the Convertible Preference Shares are available in new issue cards circulated by Extel Financia

Copies of the listing particulars dated 23rd August, 1989 contaming particulars given in compliance with the regulations of the Council of The Stock Exchange relating to Lookers pic, including details of the Convertible Preference Shares, may be obtained during normal business hours on 19th and 20th September, 1989 from the Company Announcements Office of The Stock Exchange, 48-50 Finsbury Square, London EC2, for collection only and on any weekday (Salurdays and public holidays excepted) up to and including 2nd October, 1989 from:

Brown, Shipley & Co. Limited, Founders Court, Lothbury, London EC2Y 9DS London EC2R 7HE

Lookers plc, 776 Chester Road, Stretford, Manchester M32 00H

18th September, 1989

Henry Cooke, Lumsden plc., P.O. Box 369, No. 1 King Street, Manchester M60 3AH

ADT builds up 4.9% **ASH** stake

By Philip Coggan

AUTOMATED SECURITY (Holdings), the electronic secu-rity company, said yesterday that it had discovered a 4.9 per cent stake in its equity held by ADT, the security and car auctions group chaired by Mr Michael Ashcroft.

The holding was revealed after ASH Issued a number of Section 212 notices relating to nominee accounts. Earlier this month, ADT raised £272m via a two-part share issue but did not reveal any specific plans to spend the proceeds. ASH has a current market capitalisation of around £260m.

ASH said that the share buying by ADT appeared to have started in August. ADT could not be reached for comment

High interest takes Thurgar

into losses By John Thornhill

Sharply higher interest charges tilted Thurgar Bardex, the Kettering-based manufacturer of plastic windows and doors, into a £167,000 loss during the half year to June 30, compared with a £852,000 pretax profit last time.

Operating profits fell

Operating profits fell heavily to £614,000 (£1.09m) because of increasing pressure on margins in depressed mar-kets, and losses at Fios Group, the Scottish window company, which was acquired in June

Interest charges increased to £781,000 (£234,000), but the company said it was now actively pursuing measures to reduce its gearing

Turnover rose to £21.55m (£15.14m), although most of this increase was attributed to the inclusion of Fios.

The interim dividend was unchanged at 0.85p. But losses per share worked out at (0.8p), compared with previous earn-

Mr Peter Johnson, finance director, said the company would perform better in the second half and expected to end the year in profit.

Pembridge backer

Pembridge Investments, the group which is considering a cash offer for DRG, the UK paper and packaging group, said yesteray that Mr Freder-ick Field, was one of its back-

Mr Field, whose family once retailing chain, is also backing the Hoylake consotrium bidding for BAT Industries, the tobacco-to-insurance conglom-

FT Share Service

The following securities were added to the Share Information Service in Saturday's edi-

Ambassador Security Grp. (Section: Industrials)Sphere Inv. Tst. Zero Div. Prf. (Trusts)

> NATIONAL BUILDING

¥13,000,000,000

ABBEY

SOCIETY

Floating Rate Notes due 1994

Notice is hereby given that the Rate of Interest for the Interest Period from 16th September, 1989 to 16th March, 1990 is

5.45% per annu Interest payable on 16th March, 1990 will amount to ¥2,702,603 per ¥100,000,000 principal amount of the Notes.

Agent Bank The Long-Term Credit Bank of Japan, Limited Tokyo

For the Interest Period from 18th Sep-

The Coupon Amount shall be FRF 232.81 for each Note of FRF 10,000 nominal amount and FRF 2.328.08 for each Note of FRF 108,000 nominal

The interest Payment Date with respect to such Coupon Amount shall be 15th December 1989. LISTED ON THE PARIS AND LUXEMBOURG STOCK EXCHANGES By : BANQUE INDOSUEZ, Agent Ban

> £200,000,000 MFC Finance No.1 PLC Mortgage Backed Floating Rate Notes Due October 2023 In accordance with the Terms and Conditions of the Notes,

> notice is hereby given that the new interest rates and periods in

mber in 12 October 14.315 ober in 13 October 14.285 **CITIBAN(**

Perspect of the subject Notes are as follows:—
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Havelock Europa, the shopfitting group which saw pre-tax profits plummet to £52,000 in 1988-89, has won its first contract for a financial services client, TSB Group, in an important diversification away from the retail sector, writes Clay Harris. Mr Hew Balfour, above, was brought in as chief executive last month by Mr Lewis Robertson, the "company doctor" who was appointed chairmen in Mey

chairman in May.

The initial contract to provide banking hall fittings for TSB branches in England and Wales is worth £1.3m, equal to nearly 3 per cent of Havelock's turnover in 1988-89. It will probably constitute a larger proportion in the current year because Havelock is being more selective about the orders it takes on, Mr Balfour said. The diversification is important not only in lessenge dependence on one sector but also because it provides work ing dependence on one sector but also because it provides work during the slack autumn months for retail orders. Havelock is

during the slack autumn months for retail orders. Havelock is also tendering for hospital and laboratory contracts.

Mr Balfour, formerly managing director of Erskine House's office equipment division, has re-organised the group's management structure, introducing three "profit centres" at Inchannan and Dalgety Bay in Scotland and at Nottingham. Each will be responsible for its own tendering. The change led last week to the resignation of Mr Gordon Ash as group sales director, a position that will no longer exist.

London Utd at £2.65m

AFTER THE adverse effects of currency movements and a large increase in group borrow-ings, taxable profits of London United Investments, the insurance holding company, amounted to £2.65m for the half-year ended June 30

This compared with £4.17m last time and £5.46m for the

The directors said it was unlikely that they would consider recommending any divi-dend for the current year.

Turnover for the six months expanded from £63.28m to £111.77m, and included premium income of £68.9m (£38.9m), commissions of £9.6m (£6.6m) and investment income of £28.2m, compared with

Tax took £35,000 (nil), leav-

ings earnings at 0.07p (losses 0.96p) per 5p sbare.

Lincoln back in black

LINCOLN House, the in the period, against losses of walkovering maker and caster of sculpture formerly known as William Morris Fine Arts, returned to the black in the (56.71m). first half of 1989. This USM-quoted company

made pre-tax profits of £105,000 BQA

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NATIONAL BANK OF HUNGARY US\$200,000,000

Floating Rate Notes Due 2000

(Coupon No. 9)

Pursuant to Note conditions, notice is hereby given that for the interest period 18th September 1989 to 19th March 1990 (182 days), an interest rate of 91/8 per cent, per annum, will apply. Amount per coupon (No. 9) = US\$461,32

Payable on the 19th March 1990 Reference/Agent Bank



THE LONG-TERM CREDIT BANK OF JAPAN, LTD. London Branch



ipeny with a capital of FRF 1,203,305,400 coder Franch law of cifice : 52 rue de Liabonno, 750(8 PARIS RCS PARIS B 642 082 668 - APE 0801

revertible bond holders of 6.65% Merch 1983 and to shereholders of sortp certificates of shares March 1999

We inform those holders of convertible bonds of 6.65% Match 1983 and those holders of scrip certificates of shares March 1983 that the Extraordinary Genéral Meeting of the 8th of June 1983 has decided to carry out the division of the nominal value of shares and the exchange of each share of a nominal 200 transs against tour near shares of a nominal 50 france.

Consequently, as from this date:
-each bond 6.85% March 1968 will be conventible into 4.4 shares of a hominal 60 fra
-each sorty certificate March 1968 will enable you to subscribe to 4.4 shares
nominal 50 france.

Tiphook and Stena lawsuit against SeaCon's Sherwood By Philip Coggan THE TWO companies bidding for Sea Containers, the Bermuda-registered ferry and con-

tainer group, have issued a lawsuit against Mr James Sherwood about allegedly misleading statements to the press designed to boost SeaCon's

share price.

Mr Sherwood has indicated that he has received offers allowing him to pay a cash dividend of around \$50 per share as part of a recapitalisation plan to defeat the bid.
Tiphook, the UK container
rental group and Stena, the
Swedish ferry operator have

lodged the lawsuit in a Wash-ington court.

Mr Sherwood said yesterday that he had been travelling and added "I haven't seen anything and I don't know anything

about it".

Last week, SeaCon's share price fell below the \$63 a share offer from Tiphook and Stena for the first time, to close at \$59% on Friday. The fall in price reflected problems in the junk bond industry and fears among US arbitrageurs that Mr Sherwood might not be able to put together a recapitalisation plan.

Food Inds withdraws bid for Premier Co-Op

FOOD Industries, the Irish agribusiness company con-trolled by Mr Larry Goodman, has withdrawn a 1943.3m bid for Premier Tir Laighean Co-Op, Dublin's main milk sup-

A higher 1246.5m offer has been made by the Irish Water-ford Co-Op group and Express Dairies, a subsidiary of

Grand Metropolitan, the UK food and drink conglomer-Food Industries decided that

making a higher counter-offer would not be in the best interests of its own shareholders and considers that its existing offer is unlikely to be successful against the higher consortium bid.

Dinkie Heel profits doubled in first half

Dinkie Heel almost doubled pre-tax profits from £120,000 to 2238,000 in the six months to June 30. Turnover was more than doubled at £3.95m (£1.79m). Tax took more at £79,000 (£42,000), leaving earnings up at 1.35p (0.83p) per 5p share. The interim dividend is lifted 0.1p to 0.35p.

Arley near trebled at £904,000

and the interim dividend is lifted to 1.4p (1.1p), more than the 1.3p forecast.

Arley Holdings came close to trebling its profits in the first half of 1989. Taxable profits leaped from £318,000 to £904,000 on sales increased 51 per cent to £9.44m (£6.27m). Earnings rose to 5.6p (4p)

Notice to the Holders of Warrants to Subscribe for Shares of Common Stock of

Yakult Honsha Co., Ltd. Issued in Conjunction with Issue by

Yakult Honsha Co., Ltd. U.S. \$50,000,000 2%% Guaranteed Bonds due 1991 (the "No. 1 Warrant")

U.S. \$80,000,000 - - 17% Guaranteed Bonds due 1992 the "No. 2 Warrant"

Pursuant to Clauses 4(A) and (B) of the Instruments dated (1) Warrants and No. 2. Warrants were issued respectively, NOTICE IS HEREBY GIVEN AS FOLLOWS:

1. At the meeting of the Board of Directors of Yakult Honsha Co., Ltd. (the "Company"), held on 5th September, 1989 the Company resolved to make a free distribution of shares of its common stock (par value Y50 per share) on 20th November, 1989 at a ratio of 0.5 new shares for each share held to the shareholders on record on 30th September, 1989 (in practice, because the Transfer Agent is closed on such date, at 17:00 hours of 29th September, 1989).

2. As a result of such free share distribution by the Company, the Subscription Prices of the No. 1 Warrant and No. 2 Warrant shall be adjusted pursuant to Condition 7 of the respective Terms and Conditions of the Warrants from Y3,019.10 per share of common stock to Y2,012.70 for No. I Warrant and from Y3,288.10 to Y2,192.10 for No. 2 Warrant, effective 1st October, 1989.

YAKULT HONSHA CO., LTD. By: The Daiwa Bank, Limited, Principal Paying Agent

18th September, 1989

Helaba Finance B.V. Amsterdam US\$100,000,000

Guaranteed Floating Rate Notes Due 1996 (Persuant to the Terms and Conditions, Hereiche Lundestant: Grunestrale- has been substituted by Helaba Finance B.V. as principal debtor of the Notes as per lat December 1988)

(Coupon No. 7)
In accordance with Note conditions, notice is hereby given that for the interest period 18th September, 1989 to 19th March, 1990 (182 days), an interest rate of 813/16 per cent, per annum, will apply. annum, will apply.

m, will apply.

Amount per coupon (No. 7) = US\$2,227.60

Payable on the 19th March, 1990 Reference/Agent Bank



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	Sep Sep	Sep Sep Sep Sep 1989 Store Committee

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LEGAL COLUMN

A bitter pill that trade unions must learn to swallow

and Sign

in the g

IT HAS been a busy summer for industrial relations, with attention focused particularly sharply on the striking railwaymen and the dockers' success in the House of Lords.

However, over the last couple of years a subtle development in employ-ment law has taken place which has dealt a further blow to the trade unions and has almost gone unno-

employers need not pay striking

against the London Borough of Tower Hamlets in the Court of Appeal demonstrated how the chances of employ-ees' being paid have been limited when they are involved in lesser forms of industrial action, such as go-slows, working to rule, or conducting

an overtime ban.

Mr Wiluszynski worked for the council as an estates officer. One of his duties was to answer one or two his duties was to answer one or two inquiries a week from council members. In furtherance of a trade dispute with the council, the trade union (Nalgo) resolved to boycott all inquiries from council members.

The council warned each employee involved that "if you do not . . . undertake your full range of duties, you will be held to be in breach of your contract of employment. You will only be paid your salary if you con-tinue to work normally ..."

Mr Wiluszynski confirmed that he

would not answer members inquiries. The council stopped paying him and told him that he would not be required to work until he was pre-pared to work normally.

In spite of that, he continued working normally, save for the fact that he did not answer members' inquiries. He claimed that since he was substantially performing his contract he was

entitled to be paid.

However, the council won in the Court of Appeal on the basis that, in order to be paid, an employee has to show that he is ready and willing to discharge his contractual obligations.

The decision followed a test case in

the House of Lords in 1987 which received very little press comment. There, a superintendent registrar of births, marriages and deaths (Mr. Miles), who was also a member of Nalgo, was involved in industrial

The action taken in that case was the refusal to perform marriage cere-

monies on Saturdays.

The employers made it absolutely clear that they were not prepared to accept incomplete performance of the employee's duties on Saturday mornings and in those circumstances the House of Lords ruled that the employers were entitled to withhold pay. However, there is a difference in the facts between the two cases.

In the case concerning the regis-trar, the employers only deducted pay for the three hours worked on the Saturday morning and paid him for the rest of the week. In the Tower Hamlets case, Mr Wilnszynski was not paid at all. In yet another case last year, an

application for an injunction to pre-vent employers from withholding pay in similar circumstances was unsuc-

The employees of the London Bor-

ough of Lambeth were refusing to work with a new computer and the employers threatened to withhold pay. Since the employees could not show that they were able and willing to perform their full obligations under their contracts of employment, the

injunction was not granted.

After the House of Lords decision in 1987, Lord Wedderburn commented: "It is rather unsatisfactory that case law should offer no better guidance to workers who have committed a par-tial breach of their contract . . . and wish to recover wages stopped by an

employer that he may be obliged to pay them in full, or nothing, or a fraction, as appears just to the judge whom they happened to be allotted." The Wiluszynski case has made it quite clear that there is no uncertainty in cases where employees partly perform their contracts and the employers instruct them that they must work fully or they will not be paid. The pendulum has swung firmly in the employers' favour and any claim by the employees to salary will

The application of the law of contract to these situations is complex.
On the one hand, there is the principle that where one party is in breach of contract (in this case the employee) the other party (the employer) has the choice either to affirm the contract, so that it continnes in force, or alternatively to treat the contract as at an end. Whatever choice he makes, he would have a claim for damages against the

There are three other contractual principles that could be of relevance: the right to "set-off," a "quantum meruit" claim and the right to an abate-

A set-off would arise where the employer claims that a deduction should be made from the wages representing the damages suffered by the employer as a result of the employee not working fully.

not working fully. The quantum mercit claim arises where the employer has not paid the employee anything, but the employee claims that the work he did was of benefit to the employer for which he should receive some payment equal to

The right to an abatement, which is a principle more commonly applied in contracts for the supply of goods and services, recognises that a deduction could be made from the sums payable under the contract (ie, the wages) to represent the fact that it has only been partly performed. Those time-honoured principles

were not applied in the cases referred

They adopted a more robust approach which at the moment is iliar to employment law. That is that the relationship of employer and employee is interdependent. If the employer withholds wages, the employee need not work. If the employee refuses to work, the

employer need not pay wages.

The Court of Appeal would not countenance the quantum meruit argument that was raised on behalf of Mr Wiluszynski.

The position is, therefore, clear. Provided the employer makes it clear and unambiguous that he will refuse to pay any wages for so long as the

employees are not prepared to fulfil their duties and that if they do per-form their duties they will do so voluntarily, if the employees continue working, the employer can derive the

benefit but not pay the employees.

It is, however, essential that the conduct of the employers does not infer an acceptance of part performance of the employment obligation if they are to be entitled to withhold

It should be emphasised that the principle established by the Miles and Wiluszynski cases will not generally have any application except in circumstances where there is a trade

If an employer stopped paying wages to an employee as a disciplin ary measure, unless expressly entitled to do so under the contract of employment or pursuant to statute, or the employee otherwise signified his agreement in writing to such non-payment, a claim could be made by the employee to the Industrial Tribunal under the Wages Act 1986.

The result of these decisions is that

the weapons in the trade unions' armoury have been further eroded.

They are exposed to the possibility that whatever industrial action their members vote to participate in, they run the risk of not being paid at all

There is no halfway house.

There will be no appeal to the House of Lords by Mr Wiluszynski and accordingly, pending a further test case or legislation, this is a bitter

pill the trade unions will simply have to swallow.

The author is a solicitor in the law firm of Norton Rose.

LAW SOCIETIES ADMISSIONS 15th SEPTEMBER, 1989

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MAND LL, MAYLO LETTEDBER BA. BLY, Splinkey Mill Moythampton. SODTREY, Deborah Louke LLB Miss, London SODTREY, Deborah Miss, Harton, Miedlere GRIMASON, Deborah Miss, Loreston, Avon RATTELD, Roysmany Asson BA. Miss, Centeybary, Kent MCRLEY, Tase Unich LLB Ms, Lherpson, Morseyside HERKODE, Autere Alan LLB Ms, Stooph, Berksyle MIGNER, Mark Advison Mir, West Brownedt, West Missoner MIGNER, Mark Advison Mir, West Brownedt, West Missoner MIGNES, Maybry Jose Mir, Aberthree, Guryandi JOHNESS, Fraider Elbier Miss, ber, Beck, JOHNES, Louder Mary BA. Miss, Wood Green, London JOHNES, Rackal Fay Lance LLB Miss, Machester, Grester Manthester

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Group Company Secretary

LEGAL PROFESSION

The Financial Times proposes to publish this survey on:

20TH OCTOBER

For a full editorial synopsis and advertisement details, please contact:

WENDY **ALEXANDER** on 01-873 3524

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Louise Hunter

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APPOINTMENTS

Ringtons production director

■ Mr Colin J. Smith has been promoted to production director at RINGTONS, the tea mer-chants. He will be responsible for the company's production factory in Newcastle Upon

Tyne. Mr Douglas N. Smith, for-merly sales manager, becomes operations director. ■ LEVITT GROUP, the pensions and financial services Mr Richard Severn to the main

board of Levitt Group (Hold-

SWEDEN

The Financial Times proposes to publish a

Survey on the above on

2 OCTOBER 1989

For a full editorial synopsis and

advertisement details, please contact:

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FINANCIAL TIMES

ings) and as managing director of Levitt Group (Financial Ser-

Mr Severn has spent two years with National Mutual of Australasia (top direct salesman in 1973); 11 years with Manufacturers Life, rising to assistant general manager, and most recently was regional operations director for Abbey Life.

■ W. H. SMITH announced two senior appointments for its fast growing office supplies divi-

Mr Bill Rowe, 45, currently buying and marketing man-ager at W. H. Smith News, becomes managing director of Sandhurst Marketing, and Mr Philip Gulley, 47, takes over as Pentagon's managing director, both with effect from Septem-

Mr Donald Kerr, presently Pentagon managing director, will assume overall responsibility for both companies.

Cityvision financial director for board

Mr Richard Prime has joined the board of CITYVI-SION, where he will have overall responsibility for finance and accounting. Mr Prime joined the group in 1988 as financial director of its Ritz Video Film Hire subsidiary.

West Midlands

The Financial Times proposes to publish this survey on:

18th October 1989

For a full editorial synopsis and advertisement details, please contact:

Paul M. Jefferis/Authony G. Hayes on 021-454-0922

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COMPANY NOTICES



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3.19 cents

Claims should be lodged with the DEPOSITARY: National Westminster Bank PLC, Stock Office Services, Second Floor, 20 Old Broad Street, London, EC2, on special obtainable from that Office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the reverse of the certificate.

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CONTRACTS & TENDERS

WESTERN HEALTH AND SOCIAL SERVICES BOARD MORTHERN FIELAND TENDERS FOR LAUNDRY AND LINEN RENTAL SERVICES Tenders are invited for the provision of Laundry and Linen Rental Services within the Wostern Health and Social Services Soard's Omagh and Fermanagh Units of Managament.

ons are invited from established and competent Contractors for inclusion on a st of those who may be invited to tender.

The Contract will be based on a detailed specification of user requirements which demand the highest standards of performance given the special needs of the Service.

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WESTERN HEALTH AND SOCIAL SERVICES BOARD AREA BOARD HEADQUARTERS

THE COMPLETED APPLICATION FORM WITH RELEVANT ACCOMPANYING DOCUMENTS SHOULD BE RETURNED SO AS TO BE RECEIVED BY THE AREA SUPPLIES OFFICER, NOT LATER THAN 200 P.M. ON TUESDAY 31ST OCTOBER 1989.

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NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECE (EDR'S) IN SHARP CORPORATION NOTICE IS HEREBY GIVEN that a cash dividend will paid to shareholders of record indicated will paid to shareholders of record date September 30, 1989. Furthermore, it has been declared that the shares with traded ex-dividend on the Japanese Stock Exchanges with effect from September 26, 1990.

1989.
Subject to approval of the dividend, a further notice will be published, after receipt of the dividend by the Depository, stating the amount and actual dute to payment of such dividend together with the procedure to be followed for obtaining payment. Coupon No. 18 will be used for collection of

CITIBANK, N.A., London, September 18, 1989 Depositary.

U.S. \$100,000,000 **BBL** (Cayman) Limited Guaranteed Floating Rate Notes Due 2000 Unconditionally guaranteed by

Bangkok Bank Limited

(Incorporated wah limited liability in the Kingdom of Thailand) Notice is hereby given that the interest payable on the relevant Interest Payment Date, October 16, 1989 for the period April 14, 1989 to October 16, 1989 against Coupon No. 9 in respect of US\$10,000 nominal of the Notes will be US\$481.48. ectember 18, 1989, Londo By: Citibank, N.A. (CSSI Dept.), Agent Bank



Christiania Bank og Kreditkasse

(Incorporated in the Kingdom of Norway with limited liability) U.S.\$100,000,000

Bull Floating Rate Notes Due 1991 Notice is hereby given that the Rate of Interest has been fixed at 8.13869% and that the interest payable on the relevant Interest Payment Date March 19, 1990 against Coupon No. 8 in respect of US\$10,000 nominal of the Notes will be US\$411.46 and in respect of US\$250,000 nominal Notes will be US\$10,286,40.

September 18, 1989, London

By: Critibank, N.A. (CSSI Dept.), Agent Bank CITIBANC

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DIARY DATES

FINANCIAL

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Place, Strand, W.C., 12.00
Harmony Letsure, Old Thameside Inn,
Clink Street, Southwark, S.E.,

10.00
Menvier-Swain, Whately Hail Hotel,
Banbury, Oxon, 3.00
Real Time Control, Eigen House, Etton
Way, Watford, 12.00
Stocklake Hidgs., Rea Brothers Bankers, 1. Aldermans Walk, E.C.,
10.00
BOARD MEETINGS-

Figels; CALA Dalgety Green (Ernest) Mucklow (A.S.I.) Mucklow (A.a.)
Interines;
BHH Grp.
Bourne End Pro
Bridgend
Colorgraphic Computer Peop Dean & Bowes

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Steetley
Tern
Tharsis
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DIVIDEND & INTEREST PAYMENTSAMS Inds. 0.5p
Banglok invs. Ptg. Rd. Pl. Saint'8
Christiania Bank OG Kreditkasse Fitg.
Rate Nts. 1998 \$700.73
D. Buff Fitg. Rate Nts. 1991 \$333.31
Creighton Labs. 4p
Ferrandi Int. Signal 1.7p
Leeds Permanent Bidg. Society Fitg.
Rate Nts. 1996 \$271.82
Neepsend 0.8p
Oil & Natural Gas Continisation Gtd.
Fitg. Rate Nts. 1996 \$555.42
Prism Leisure \$9
Ransour (Wm.) 1.04p
Rauters Hidgs. 3.8p
Southend Property Hidgs. 2p
Do. Pl. 4.6875p
Stanley Leisure 2.75p
Stocklake Hidgs. 12p
Svensk Exporticredit Fitg. Rate Nts.
1982 \$552.19
Texasco \$3

TOMORROW
COMPANY MEETINGSBritish Bloodstock Agency, Queensbury Hoose, 129, High Street,
Newmarket, 12.00
FKB Grp., Hospitality Centre, Chelses,
Harbour, 3.W., 12.00
Sock Shop Int., 7, Devonshire Square,
E.C., 9.00
BOARD MEETINGSFinals;
Everest Foods
GT Venture Inv.
Gabicci

Gabicci Merievale Moore Really Useful Renown Inc. Interims; Beautord Davis (Godfrey) Exectutex Clothes Serton Eng. Glasgow Inc. Tst.
Hewfit (J.)
Iceland Frozen Foods
Jeyes Grp.
PCT

River & Mercantile Am. Tat. Silentrich DIVIDEND & INTEREST PAYMENTS-Christiania Bank OG Kreditkasse Reverse Fitg. Rate Nts. 1997 \$705.15 rke Hooper 2.45o Eve Grp. 5p London Securities 1p Ransomes 512 % Cm. Pf. 1.825p

Ransomes 5½% Cm. Pf. 1.925p TACE 3.25p Treasury 11½% 2001/04 5¾ pc.

WEDNESDAY SEPTEMBER 20 COMPANY MEETINGS-Aerospace Engineering, Slunsdon House Hotel, Blunsdon, Swindon, 1215

ASDA Grp., Pudsey Civic Hall, Daw-sons Corner, Pudsey, Leeds, 2,30 Boeth Inds., Worsley Court House, Worsley, Manchester, 11,30 Courts (Furnishers), Barber-Surgeons Hall, Moniswell Square, E.C., 12,00 Gibban Lyons Grp., 30b, Wimpole Street, W., 12,00 Oceonics Grp., Chartered Insurance institute, 20, Aldermanbury, E.C., 12,00 BOARD MEETINGS-Finals;

Finals; Barratt Devs. Irish Glass Minoreo
Zambia Copper
Interims;
Bentalis
Britannia Grp.
Connell Britasnia Grp.
Connell
Estates & General
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Homby Grp.
Jones & Shipman
LGW
Mayllower Corp.
Pittard Garner
RFK Grp. RFK Grp. Silkolene Lubricants

Sovereign Oil & Gas

Spring Ram Stag Furniture Sum Life Assurance Taveners Wilton Grp.

Wilton Grp.
Worcester
DIVIDEND & INTEREST PAYMENTSBank fur Arbeit und Wirtschaft Sub.
FRg. Rate Nts. 1990 \$552.64
Barlo Grp. 0.125p
Booth Inds. 1.8p
Commonwealth Bank of Australia
91, 16 Nts. 1993 45 pc.

94 % Na. 1985 4-3pc. Erron Corp. 8208. Erchequer 10-2% 2005 5-4pc. Kores Exchange Bank Fitg. Rate Nts. 1995 2180.38 M & G. Int. Growth 7p M & G. Int. Growth 7p

M & G Int. Growth 70
Marine Midland Barks Fitg. Rate Sub.
Nts. 2009 \$245.97
Midland Bark Und. Fitg. Rate Prim.
Cap. Nts. (Sept.1985) \$552.84
News int. Gad. Fitg. Rate Nts. 1991
\$247.57
Riggs National Fitg. Rate Sub. Nts.
1996 \$247.57
Standard Chartered Und. Prim. Cap.
Fitg. Rate Nts. £179.59

THURSDAY SEPTEMBER 21 THURSDAY SEPTEMBER 21
COMPANY MEETINGS
CH Industriale, Howard Hotel, Temple
Place, Strand, W.C., 12.30
Colefax & Fowler, Merchant Taylors
Half, 30, Threadneadle Street,
E.C., 11.00
Kenyon Securities, Great Western
Royal Hotel, Praed Street, W., 5.30
Specialeyes, Honourable Arilliery
Company, Armoury House, City
Road, E.C., 12.00
Tomkins, Hyatt Carlton Tower Hotel,
Cadogan Place, S.W., 11.38

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Coats Viyella
Great Southern
Highcroft Inv. Tst.
Johnston Press
Kwik-Fit rrison (Wm.)

ROARD MEETINGS

FIMC Sindali (Wm.) T & S Stores Yule Catto T & SIDTES Yule Cato DIVIDEND & INTEREST PAYMENTS-CH Inds. 3.825p Citicorp Fig. Rate Sub. Cap. Nts. 19/9/ 96 \$242.78 96 S242.78 Impale Platform 175cts. Independent Inv. 0.25p Leumi Int. Invs. Gtd. Fitg. Rate Nts. 1988 S54.94 Lone Star Inds. 47.5cts. Marine Midland Bank Fitg. Rate Sub. Cap. Nts. 1996 \$244.38 Pitzer S5cts.

FRIDAY SEPTEMBER 22 COMPANY MEETINGS-Baker Harris Saunders, Saddlers' Hall, 40, Gutter Lane, E.C., 12.00 Crown Eyegiass, Most House Hotel, Preston New Road, Blackburn,

Presson New Hose, Blackburn, 2.30
Markheath Securities, The Westbury, Conduit Street, W., 11.00
Tinsley (Elize), Patrick Motor Museum & Conference Centre, 180, Liftord Lane, Kings Norton, Sirmingham, 11.30
Italiach Mosert Hotel, Temple Place hach, Howard Hotel, Temple Place, Strand, W.C., 12.00

BOARD MEETINGSse Gro. Oliver Grp. PML Grp. Polypipe Spear (J.W.) DIVIDEND & INTEREST PAYMENTS DIVIDEND & INTEREST PAYME Abbey Panels Invs. 1.5p American Int. Grp. 12cts. BHH Grp. 8% Bds. 1996 4pc. Bank Leumi (UK) 4.5p Black & Decker 10cts. Blue Arrow 1.6p Evode Grp. 1.62p Exchequer 12¹/₂ % 1990 6¹/₄ pc. Exchequer 13¹/₂ % 1992 6³/₄ pc. Farepak 1.575p Exchequer 13-2 % 1982 6-4 pc.
Farepak 1,575p
Harmony Leisure 0,168p
Holders Technology 2p
North Midland Construction 2p
Planning Research & Systems 2.5p
Porter Chadburn 1.2p Torex Hire 0.8o

SATURDAY SEPTEMBER 25
DIVIDEND & INTEREST PAYMENTSESSEX Water 3.5% New 1.75p
Do. 3.5% Cons. 1.75p
European Inv. Bank 11% Ln. 2002
512pc.

SUNDAY SEPTEMBER 24 DIVIDEND & INTEREST PAY-MENTS-Development Bank 10¹, % Ln. MENTSAsian Development Bank 10¹4% Ln.
2009 5¹4pc.
Greenall Whitley 10% Db. 2014 5pc.
lot. Bank for Recovery & Dev. 9¹2%
Ln. 2010 4¹4pc.
Sidlaw Grp. 7¹2% Un. Ln. 2003/08
3²4pc.
Spain (Kingdom of) 11¹4% Ln. 2010
5²4pc.
Treasury 2¹2% LL. 2001 21.7725

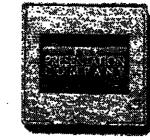
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Trade fairs and exhibitions: UK

Antiques Fair (until September 23) (04447 2514) International Bost Show (0703 .

Southampton September 17-18 DIY Trade Show (01-302 8585) Earls Court September 17-19

Gallery 89 - Framing and Fine Art Market (01-655 9201). Olympia 2, London September 18-22 International Handling & Storage Exhibition (0895 58431) MEC, Birmingham September 18-19

International High Definition
Television Exhibition - HDTV Televinos (01-931 9985) Tara Hotel, London September 19-22 International Helicopter Tech-nology & Operations Exhibi-tion (01-549 5831) Redhill Aerodrome

September 25-28 International Police Exhibition

& Conference (01-446 8211) Barbican, London September 26-27 Chelsea Old Town Hall independent Power Generation than 15-23 INPOWER (0737 768611)

Heathrow Park Hotel September 26-28 Datacom 89 (8) 404 4844) Business Design Centre, London Sept 27-Oct 1 Personal Computer Show

(01-486 1951) Earls Court, Lendon September 28 October 1 National Franchise Exhibition (01-727 1929) NEC, Birmingham

October 3-5 Transport and Distribution Services Show and Conference (01-868 4466) Wembley Exhibition and

Conference Centre
October 24-26
Omnec The fibre optics users exhibition and conference (0223 Barbican Exhibition Hall, Lon-

Overseas exhibitions International Technical Fair

Correct 12 Co. Sec. 15 Co. International Fisheries Endustry Exhibition (until September 17) (01-948 9900) Nantes

International Motor Show -IAA (until September 24) (01-734 0543) Frankfurt

International Hardware Show -QUOJEM (until September 20) Paris Sept 25-Oct 1

CAM. Automation Engineering Exhibition - PRODUCTIQUE (01-225 5566) Paris October 9-14 International Fair for Instru-mentation and Automation -

International Robotics, CAD/

Ploydiv

INTERKAMA (01-794 0166) Dusseldorf

(01-836 5229)

Oct 2-6

Business and management conferences

Le Meridien Hotel, London

September 21 CBI Conferences: City investor relations (01-379 7400) Centre Point, London September 21 Business International: What

the 90s will mean for interna-tional business (01.493 6711) Hyde Park Hotel, London September 21-22 Institute for International Research: Cost control and profitability in retailing

(01-484 1017) Park Lane Hotel, London tember 22 The Bow Group: The European defence industry and 1992 (0483

September 22 Battelle Institute: Strategic

management of technology (01-493 0184) RAF Club, London September 24-26 Victory Reinsurance Co: European life marketing and actu-

arial conference (01-481 1200)

Queen Elizabeth II Centre

September 20 September 25-26
Fiber: Doing business in Spain IBC Financial Focus: The changing pattern of business (01-637 4383)

Regent Crest Hotel, London Seutember 25 International Business Communications: UK Securities Settlement and the implica-

tions of TAURUS Inn on the Park, London September 26 The Economist: People mean profits in the '90s - why and how the human side of business is a critical source of com-

petitite advantage (01-839 7000) Hyde Park Hotel, London International Business Communications: International securities settlement (01-236

Inn on the Park, London Sentember 27 CBI Conferences: Production efficiency (01-379 7400) Centre Point, Loudon eptember 28-29

Acquisitions Monthly (01-823 8740) London Hilton Hotel

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL TIMES CONFERENCES

RETAIL FINANCIAL SERVICES London, 2 & 3 October, 1989

After a two year interval this conference is being held again in London and the agenda is remarkably full. The impact of the Single European Market on the retail financial services industry will be the principal theme of the opening day and the outlook in the United Kingdom, where the competition is increasing every day, provides the focus of the second day. Among the speakers are: James Larkin, American Express Europe Ltd; Silvio Malitius, Bundeskartellamt; Charles Winter, The Royal Bank of Scotland Group pic; Don McCrickard, TSB Bank plc; Gunther Schmidt-Weyland, DG Bank; Dr Peter Troberg, Commission of the European Communities; Seymour Fortescue, Barclays Bank pic and Peter Sutherland, Chairman Designate of Allied Irish Banks plc.

EUROPE AND THE NORDIC COUNTRIES Stockholm, 9 & 10 October, 1989

How Efts and the European Community will develop their relationship is a subject of vital concern to businesses in the Nordic Efta countries and it will be one of the principal themes of the FT Stockholm Conference in October. Kjell-Olof Feldt, Kelevi Sorsa, Johan Gahr Store and Thorsteinn Olafsson will give Nordic government views on this question and Niels Helveg Petersen will add a Danish viewpoint.

The Nordic business community includes many companies which have already developed sophisticated approaches to the Single European Market and these will be addressed by Gerhard Heiberg, Kai Hammerich, Harald Norvik, Bo Ramfors, John Quitter, Anders Ljungh and Paavo Rantanen of Nokia.

BUSINESS WITH SPAIN: STRATEGIES FOR 1992 & BEYOND Madrid, 6 & 7 November, 1989

With the continuing international interest in Spain, the Financial Times is arranging this Autumn its fourth Business with Spain Forum. To be organised in association with Expansion, the conference will focus on the economic outlook for Spain and Europe and then go on to assess a number of major issues of interest to the banking and international business community. Speakers include: Mr Peter Lilley, Financial Secretary to the Treasury: Claudio Aranzadi Martinez, Spanish Minister of Industry & Energy; Luis Carlos Croissier Batista, Comision Nacional del Mercado de Valores; Sir Martin Jacomb, Barclays de Zoete Wedd; Manuel Guasch Molins, Ebro: Francois Henrot, Compagnie Bancaire, Emilio Botin Rios, Banco Santander and Mario Conde, Banesto.

WORLD SHIPPING IN THE 90s Amsterdam, 14 & 15 November, 1989

The FT proposes to stage a major conference to coincide with the Europort 89 Exhibition. After the difficulties of the past few years, the hopes and signs are for a recovery in the world shipping industry. The aim of this conference is to examine current trends and look at the industry's prospects and opportunities for the long term. Speakers taking part include: Henk Rootliep, Royal Nedlloyd Group; Hans Jakob Kruse, Hapag-Lloyd; Erik Toenseth, Kvaerner Industrier; Jeremy Smith, Liberian Shipowners Council; Ernest Fong, Marine Navigation Co and Hiroshi Takabashi, NYK Line.

All enquiries should be addressed to: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ Tel: (01-925 2323 (24-hour answering service) Telex: 27347 FT CONF G. Fax: 01-925 2125

FINANCIAL TIMES



ENGINEERS W

A diversified local economy and a high proportion of small, independent businesses have

helped Leicestershire survive the painful blows to its traditional industries, such as textiles. Yet, as Richard Tomkins reports, there is

no room for complacency

the frontiers "LEICESTERSHIRE is a county that's undersold itself," says Mr Tommy Thompson, the county council's director of a lesser extent around Coal-

the county council's director of planning and transportation.
"Here we are, right at the centre of the country, and yet nebody knows much about us," he remarks.

Mr Thompson is probably right. Think of Leicestershire and what images spring to mind? A large Stilton cheese? A succulent Melton Mowbray pork pie? The Quorn hunt in full cry over the wooded

slopes? None of these images is wildly inaccurate: Leicestershire still has the feel of a predominantly rural county in which food, farming and village life play an important part. But that is only part of the story.

Perhaps the more surprising aspect of Leicestershire is that it contains one of the UK's highest concentrations of manufacturing industry. No less than 40 per cent of the county's workforce is employed in manufacturing, compared with 34 per cent for the East Midlands and just 25 per cent for the UK

Insofar as the county is known at all for this manufacturing activity, it is usually for its textiles industry. Well over

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्य अर्थ स्थानीय र एक्ट्री विकास

ાં હતા. કોર્ટ કેલ્પોર્ટ કુલ્લાના કર્યું

a lesser extent around Coal-ville and Loughborough.

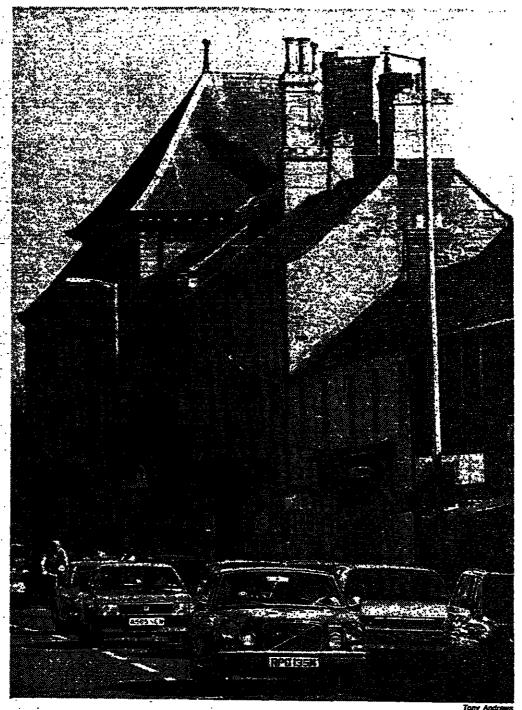
Ranging in size from sweatshops in the backstreets to gisnits such as Corah and Courtaulds, these companies turn out knitted goods, hosiery, and finished goods such as T-shirts, as well as shoes. Between them they employ 51,000 people — just over 36 per cent of the county's manufacturing work-

Other industries closely associated with Leicestershire are mining, agriculture and mechanical engineering. In the engineering sector, the machine tool industry in particular has a long history in the county and still plays a prominent role in the local

economy.
Yet the presence of these industries begs another ques-tion about Leicestershire. If textiles manufacturing is under intense competitive pressure from imports, and most of the county's cost mines have closed, and agricultural employment is in long-term decline, and the machine tool industry is a fraction of its former size, why is Leicestershire's unemployment rate, at 4.9 per cent, among the lowest

CONTRACTOR AND STREET, LOUDING

्रात्ते व्यक्ति है स्थान है। भागाया अक्षत्रमायाच्या प्रदा क्रियान स्थाय स्थान क्षत्रमाय स्थान



ige of Cakham in Leicestershire: one of the most popular and attractive in the county

Leicestershire

Leicestershire's traditional industries have, indeed, suffered. Job losses in textiles and footwear are a painfully frequent occurrence: only last month Eatoughs, a shoemaker employing 530 people in Earl Shilton and Coalville, called in

The run-down of the Leices-

4,500 jobs since the beginning of the decade. Agricultura employment fell by an esti-mated 2,000 jobs to less than 8,000 jobs in the nine years to 1987. And the machine tool industry is no stranger to clo-sures such as last year's demise of the Ex-Cell-O plant

combined to prevent Leicestershire falling victim to the debilitating levels of unemploy-ment still lingering in some of Britain's heavily industrialised

One is that, for all the county's dependence on textiles, its economy is relatively diversified compared with that of, say, the West Midlands. So

while traditional industries have been shedding workers, newer ones such as printing and publishing, or rubber and plastics, have been quietly

The food and drink industry, for example, now among the county's largest employers with a payroll of 13,400, is esti-mated to have taken on 3,000 workers between 1982 and 1987.

Another reason is that the county's economy is characterised by an unusually high proportion of small, independent businesses - thanks in no small part to the efforts of enterprising Asians whose community accounts for a quarter of Leicester city's pop-

Of the estimated 4,000 manufacturing businesses in Leices-tershire, some 80 per cent employ less than 50 people, and all but 17 per cent are indepenowned. Mr David Wilson. Leicester director of 3i, the venture capital organisation, says this makes for a culture which is in marked contrast

Leicester, although the biggest city in the East Midlands, has failed to establish itself as the region's commercial centre

with that of north-east England, where he was previ-

"It's the difference between an employee and an employer culture," he says. "In Newcastle upon Tyne, when somebody lost their job, it was always a case of 'Where can I get another?' rather than trying to do something for themselves. The attitude in Leicestershire is far more entrepreneurial."

There is, however, no room for complacency over Leices-tershire's low unemployment level. There are warning signals in the county's economy that cannot be ignored.

Looked at positively, Leicestershire's unusually heavy ori-entation towards manufacturing illustrates the resilience of the county's industrial base. But on the negative side, it is also an indication of Leicestershire's lack of success in build-

ing up a strong service sector.
This matters because the continuing drive to improve productivity is causing manufacturing industry everywhere to shed jobs. In Leicestershire, productivity in terms of output per employee is already badly lagging the UK average. The disturbing implication is that its manufacturers face a choice between accelerating the pace of job losses now, or eventually going into decline.

Elsewhere in Britain, it is

CONTENTS

Profile: Charterhai Key Facts

Education; Tourism East Midlands International Airport: Roads

the service sector that has picked up the running from manufacturing industry in ence centre. terms of supplying employment. Service sector growth in

Leicestershire, however, has been relatively sluggish.
Leicester, although the biggest city in the East Midlands, has failed to establish itself as the region's commercial centre against competition from Not-tingham and, to a lesser extent, Derby. Too often, the lence in its specialist field.

big office projects and retail schemes have gone to its It would be wrong, though, to overdo the gloom. The service sector is growing in Leicestershire, and there are signs that the pace is accelerating, particularly following the removal of two obstacles to the city's development. One of these was the excessive amount of speculative office development that took

place in Leicester during the 1960s. This left it with an overhang of empty, poor-quality and out-of-date property that depressed rental values and discouraged further building. Suddenly, however, there are signs of life in the office market. For the first time since 1974, there are substantial developments under way albeit grant-aided — with Peat House going up in the city centre's East Street and Royal Insur-ance building a regional head-

quarters close by. Another obstacle to develop-ment in Leicester had been the uncertainty caused by a longstanding application to develop a large out-of-town shopping centre near junction 21 of the

The Environment Secretary's refusal of this application last year opened the way for other retail developments to take place in Leicester's latterly uninspiring city centre notably, a £100m scheme called The Shires and the £300m Leicester Centre.

Elsewhere in the county, Leicestershire's central locaare attracting investment. Dis-tribution is emerging as a significant sector, most obviously with the vast and aptly-named Magna Park complex springing up near the M1 at Lutterworth.

Business and industry are also following the motorway, with the high-quality Meridian Business Park at the junction of the M1 and M69 soon to be followed by the nearby Grove Park development, an office

and light industrial park which will include a hotel and confer-

One respect in which Leicestershire is particularly heavily blessed is higher education. The county has three of the East Midlands' five universities and polytechnics - Leicester University Loughborough University and Leicester Polytechnic - and each is an acknowledged centre of excel-

Other positive indicators, meanwhile, include the decision by Toyota to build its European car assembly plant near to Leicestershire's northwestern boundary; a string of proposals to build new villages of 1,000 to 3,000 dwellings in the Leicestershire countryside; the planned re-opening of pas-senger services on the railway line linking Leicester with Burton-upon-Trent in Stafford-shire; and the long-term trend among businesses in the south-east to move out along the motorways stretching to

the north. Mr Bob Anderson, regional director of the Department of Trade and Industry in the East Midlands, points out that if Leicestershire seems to be developing but slowly, change there is necessarily a piecemeal affair.

With a population of 960,000, it is not, after all, a big county:

Several factors have helped to prevent the county falling victim to the debilitating levels of unemployment

found elsewhere "It's fine to talk about develop-

ment in Leicestershire, but it has to be done on a careful and selective basis," he says.
"The number of people regis tered unemployed in Leicester-

shire is less than 20,000, so you simply can't expect to move large blocks of industry in and then find the workforce there to do the job."

For too long, perhaps, Leicestershire has been a county with a reputation for being inward-looking and indepen-dent. Today, it is opening its frontiers, but with just a hint of nervousness over the experiment. It is coming out of its

Simply successful.



Leicestershire is one of the U.K.'s most enterprising and consistently successful industrial locations. The County has an impressive record on employment, exports, technological excellence and economic growth. This success is based on real and long term commercial advantages. Low costs, an excellent central location, a supportive and skilled workforce - these are just some of the ingredients that produced a record of business development that really is - second to none!

For more information on development opportunities contact David Dugdale, Economic Development Officer, Department of Planning and Transportation, Leicestershire County Council, Glenfield, Leicester (0533-317886).

Falling demand is causing the textile industry problems, writes Alice Rawsthorn

Tough times for the knitwear sector

obscure Nottinghamshire cleric, the Rev William Lee. made a discovery that ushered in a new era of prosperity not only for Nottinghamshire, but for the neighbouring county of

The Rev Lee invented the knitting frame, a simple mechanical device to make the socks and stockings his parish-ioners had been knitting by hand. Its invention laid the foundations for today's inter-rational knitting industry and turned the East Midlands into one of the chief textile produc-

tion centres of the UK. This year is the 400th anniversary of the invention of the knitting frame. The Leicestershire and Nottinghamshire tex tile companies are marking the anniversary with a series of celebratory events. But the celebrations will be somewhat hollow: the anniversary coincides with a troubled time for

the UK knitting industry. In the past 18 months the textile companies — which provide one of the largest single sources of employment in Leicestershire — have been plunged into intensely competitive trading conditions. The knitting industry has been hit by everything from increasing imports, to unfavourable fash-

ions and inclement weather. As a result the Leicestershire textile companies have suffered severe pressure on output and profitability. Doz-ens of companies in the county have been forced to close and thousands of workers have lost their jobs. No area of the industry has emerged unscathed from the crisis. The companies forced into receivership have ranged from the small sweatshops on the back streets of Leicester to Genetic,

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Leicester Mercury

of the city's ethnic enterprises. which had a workforce of sev-

Coats Viyella and Courtaulds, the international textile groups, have been forced to rationalise their activities. The problems of Corah, one of the Leicestershire industry, became so grave that it fell victim to a takeover by Charterhall, the Australian investment employed in the county.

Hitherto the Leicestershire omnanies had been sheltered from the troubles of the rest of the textile industry. In the early 1970s they were shielded from the increase in oil prices by the expansion of man-made fibres into new product sectors. In the economic recession of the early 1980s, they were pro-tected by the boom in track

in the past 18 months the industry has faced problem after problem. Perhaps the biggest of all has been the rise in imports fuelled by the strength of sterling against the US dollar and the Far Eastern currencies linked to it

group, late last year. A few weeks ago Charterhall agreed terms to bid for Textured Jersuits and leisurewear. sey, another significant player in the knitting sector with plants in Corby and Leicester. The integration of Corah's knitted fabric interests with those of Textured Jersey seems toughest period in modern certain to cause more redun-

Luckily for the redundant textile workers, the local economy has been sufficiently have found new jobs in other emerging industries. But the crisis in textiles is still dealing devastating damage to one of Leicestershire's most traditional industries.

Leicestershire is one of the main centres of textile production in the UK. The local textile companies are chiefly con-cerned with the manufacture of knitted fabrics and finished garments such as T-shirts, track suits and socks. A significant number of the UK's 70,000

or so knitting workers are

But in the past 18 months the Leicestershire industry has struggled against problem after problem. As Mr John Harrison, director of the Knitting Industries Federation, says, the industry has experienced "its

Perhaps the biggest problem of all has been the apparently inexorable increase in imports fuelled by the strength of sterling against the US dollar and the Far Eastern currencies

All in all, the influx of knitting imports increased by 22 per cent in 1987 and by 12 per

successive years the import quotas, negotiated under the terms of the Multi-Fibre Arrangement, have been fully But some sectors of the Leicestershire industry have

suffered even more than others. Hosiery manufacturers. for example, have faced a flood of cheap imported socks from Turkey and Indonesia. The nflux of Turkish socks doubled to almost 14m pairs last year. The influx of Indonesian socks quadrupled to nearly 11m pairs. This sudden surge of imports

has eroded the market share of the Leicestershire sock companies. At the same time the low price of the Turkish and Indonesian socks - which come into the country at 23p and 25p a pair respectively, in other words for less than the cost of raw materials to the East Midlands manufacturers – has imposed pressure on profitabil-

Similarly the T-shirt producers, which are predominantly small companies, have been hit by a stream of imports from China. The Chinese T-shirts are being sold for an average price of 76p each, compared with an ex-factory price of £1 for the Leicestershire products.

Increasing imports are one problem, but many areas of the Leicestershire industry have also been beset by a dramatic

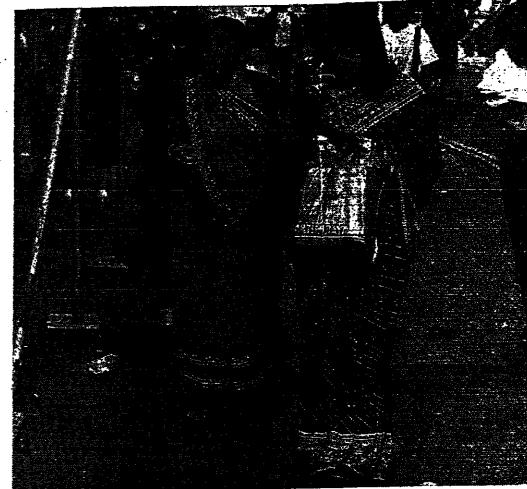
wear, have been depressed by the swing in fashion towards the slick, tailored look. Others, like hosiery, have been affected by the combination of an unusually mild winter and the long, hot summer. Every area of the industry has suffered from the instability of the retail sector where key customers such as Next, which is based in Leicester, have

encountered difficultie This downturn in demand has exaggerated the impact of the increase in imports. Leicestershire companies have been left to struggle for a smaller share of a shrinking

Overall the UK knitting industry suffered a fall in output, in real terms, to £1.6bn last year and 10,000 knitting workers, many of them from Leicestershire, have lost their jobs since last summer. In the short term the knit

ting companies can only hope that the recent fall in the value of the pound against the dollar will alleviate the pressure from imports and that the new "eth-nic" look will revive demand for chunky knitwear. But the Leicestershire com-

panies must also assess how their present problems will affect future patterns of invest-ment in an industry which even before the current crisis was far less efficient than many of its European competi-



Asians are a big force in Leicester's textile industry. But poor trading has left many casualties, including Genetic, once one of the city's largest ethnic enterprises

integrating the two companies. At first glance the sheer speed

of Mr Goward's deals and the audacity of his ambition seems

impressive. But the City of London has seemed anything

but impressed by him. So far the City has been

reluctant to see Mr Goward as

anything other than yet

another of the Antipodean

adventurers who have wheeled and dealed their way on to the London stock market. A suc-cession of well-publicised prob-

lems – from Mr Foulkes

departure to a legal case against Great Universal Stores

nards shoe chain - has

Charterhall's share price has languished and will continue to do so until Mr Goward can

prove he has the management

mettle to run businesses, as

well as to buy them. He insists that he is "not just another deal maker", but the City is

KEY FACTS

DEMOGRAPHIC Catchment population (commuting area) Catchment population change (1981-88). 543,117 Leicestershire (1989) . Age structure (1981)* 0-4 8.7% (6.0%) .16.3% (16.3%) .16.1% (14.1%) 19.0% (19.7%) Over pensionable age .17.1% (17.7%) SOCIO-ECONOMIC* Car ownership (1981) Households with no car 47.7% (39.5% . 42.3% (45.1%) . 10.0% (15.5%) Households with one car Households with two cars plus Cars per household. ..0.64 (0.78) Owner occupied .55.0%(55.7%) Rented from council or new town. .31.9% (31.2% ..9.1% (8.6%) Private rented

ECONOMY

Unemployment (travel-to-work area) 4.9% (7.4%) May 88 .6.8% (9.8%) Manufacturing industries .40.2% (25.6%) .10.7% (14.6%) ligh-tech industries 2.5% (4.6%) Primary industries 3.5% (4.9%) Construction ..

Distribution, hotels & catering 18.4% (20.1%) Retail distribution9.7% (9.7%) Fransport & communication 4.5% (6.4%) Banking, finance & business services6.3% (9.5%)

Regional average house price ... 1988/89 273.50 989/90 Guide to prime rents

Apr 89: £9.75 psf (Sep 86: £3.50 psf) Apr 89: £105 psf (May 87: £70 psf) still waiting to be convinced. Offices In the meantime he has set Retail his sights on yet more deals in industrial Apr 89: £3.20 psf (Sep 86: £2.00 psf) textiles. The industry's present COMMUNICATIONS problems only make him even About 99 miles from London more optimistic about clinching another deal. "When times Rail Fastest journey time to London 1hr 15 min are tough, prices come down," he said. "There are lots of dog East Midlands Airport

Average house price (1988 mean)

*Great Britain average in parenthesis companies around," Source: Property Intelligence Ltd (Tel 01-839 7684) Alice Rawsthorn

PROFILE: Charterhall

Aggressive predator on the trail of the industry's 'dogs'

THE shark-infested waters of ment. But Mr Goward is quite, the Australian financial com-munity once seemed a world away from the knitting factories of Leicestershire's traditional textile industry.

Yet in the last year or so Mr Russell Goward, one of the youngest and most aggressive of the new breed of Australian financiers, has emerged as a powerful - if somewhat improbable - player in the traditional world of Leicestershire

At the end of last year Mr Goward took over Corah which has dominated the local industry for decades from its colossal manufacturing complex in the centre of the Leices-ter - for £27m through Charthe company that controls his UK interests. A few weeks ago he augmented his interests by buying Tex-tured Jersey, which has facto-ries in Leicester and at nearby Corby in Northamptonshire,

At first glance it seems strange for a professional investor to choose textiles, particularly in its present parious state, as an area for investquite clear as to the rationale for his choice.

"The textile industry is a

dog," he said from Charter-hall's headquarters near Victo-ria Station in London. "And dogs are the only kind of industries I am interested in." Since Mr Goward first sur-faced in the UK three years ago he has become embroiled with a pack of "dogs". His tactic is to scout about for classically

for Mr Foulkes' strategy. "He did everything we would have decided to do ourselves," he said. He admits that Mr Foulkes' departure two months ago - to jóin the Magnet Do-It-Yourself group - was "a blow". However, he says that the new management team will undervalued companies; generally those that have fallen on troubled times in unattractive

continue to implement the same strategy. It is an indication of the extent of the rationalisation that Corah now employs about 2,400 people, to try to recoup part of the purchase price for the Len-

Mr Goward is full of praise

ness to Courtaulds.

Mr Goward is quiet clear as to the rationale for his choice. 'The textile industry is a dog. And dogs are the only industries I am interested in'

sectors. He then builds up a stake in the company and providing he can persuade the board to agree - mounts a bid. Some boards have agreed. Others have not. Mr Goward has emerged with a motley assortment of stakes and sig-nificant interests in two sectors: footwear retailing and textiles. Almost all his textile interests are in Leicestershire.

Mr Goward began with Corah, one of the bastions of the local industry. Corah was once a lynchpin of East Midlands textiles but in recent years it has floundered. Its troubles began in the mid-1980s when it struggled to get to grips with an ill-fated acquisition and then suffered a strike at one of its main factories.

By 1987 Corah had lurched into losses. It was then that Mr John Foulkes was drafted in, from a subsidiary of Hanson, as chief executive with a brief to steer the business back to

Mr Foulkes implemented a painful programme of restruct-uring. By the end of last year, when Mr Goward arrived, Corah had already shed more than 1,000 employees from an original workforce of 5,000. It had also withdrawn from knitless than half its workforce

two years ago. The chief challenge for Charterhall in the coming months will be to integrate Corah's interests with those of Textured Jersey. Until recently Textured Jersey, with a workforce of 390, was considered to be one of the industry's successes. But in the past year it has suffered - like so many other textile companies - from depressed demand and increas-Charterhall is now assessing

the prospects for integrating the knitting activities of the two companies. At first glance the activities of the two companies appear complementary Textured Jersey concentrates on making fabrics for leisurewear and Corah on fabrics for underwear. But there are significant areas of overlap in manufacturing and the integra-tion is almost certain to be accompanied by job losses and capacity cuts.

Leicester will probably bear the brunt of the cutbacks. Both companies have knitting operations in Corby, but most of the businesses are in Leicester where their dye-houses and finishing plants are located. It is critical for Charternall

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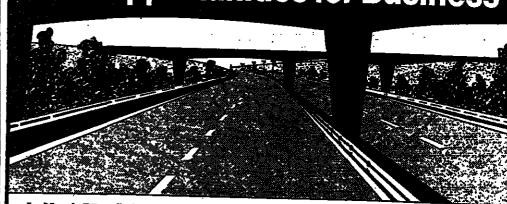
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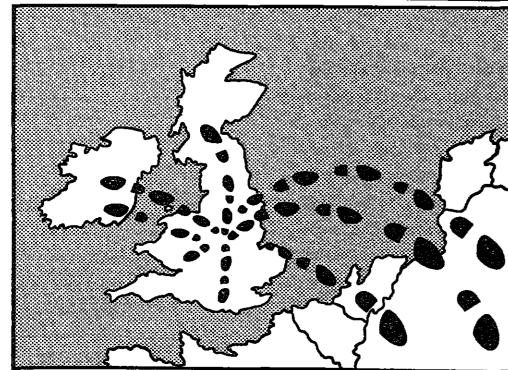
In North West Leicestershire the new M42/A42 route is opening up exciting opportunities for business development with over 10 million customers within an hour's drive and access to a large and skilled labour force. The lifestyle is very attractive too: living and working in the rural countryside for which Leicestershire is well known.

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As well as providing superb communications, the new route is opening up over 200 acres of prime industrial land, from distribution sites to modern business parks including the Whitwick Business Park at Coalville and sites with direct access to the Airport. Interest in these sites is already high and is likely to be boosted by the decision of Toyota to invest £700 million in a new car plant just 10 miles away in South Derbyshire.

If you would like to know more about development/location opportunities on the M42 corridor contact: Ian Nichol, Chief Economic Development Officer, North West Leicestershire District Council, Council Offices, COALVILLE, Leics. Tel: (0530) 36371.





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MACHINE TOOLS SECTOR

Cut down to size

LEICESTER is now one of the most important centres in the UK's much shrunken but currently profitable machine tool industry.

rently profitable machine tool industry.

Bridgeport, the largest producer of machine tools in the UK has its British headquar-

ters and largest production plant in the city.
Jones & Shipman, housed in a straggling factory complex once leased by Lockheed from the then Ministry of Aircraft Production, is also one of the largest producers.

Frederick Pollard, a family owned manufacturer of drills and special purpose machines. Wyvern, which makes vertical turning lathes and Moss Machine Tools, a competitor of Pollard's, all produce machines

in the city.

However, Leicester has not escaped some of the shrinkage and upheavals that have afflicted chunks of the machine tool sector.

In the past few years, the

In the past lew years, the Ex-Cell-O group, a manufacturer of transfer machinery for car and aerospace plants has been been the subject of a buyout from its US owners by managers of its West German division. In the process the group's Leicester plant was shut down.

shut down.
Wadkin, which until recently made machining centres in Leicester was taken over by DeVlieg of the US and its production subsequently moved to Lutterworth.

Nevertheless, the production of machine tools in Leicester is probably higher measured in cash sales than in any other UK city. It also has a healthy, if small subsidiary equipment sector.

Marwins, for example, which is part of United Industries, makes cutting and milling tools. It was once part of a group which actually made complete machine tools in Leicester but that operation

was closed in the early 1970s.

Machine tool suppliers are
happy with operating in
Leicester, stressing, in particular, the excellent access to the
country's motorway structure.
However, obtaining skilled

labour is a growing problem.

The history of machine tool making in the city stretches back to the turn of the century and many of Leicester's machine tool companies actually came from the same root.

Back in 1898, Fred Shipman started a machine tool company and, over the following three years, was joined by Frederick Pollard and A A Jones. By 1905, Jones, Pollard and Shipman was the name of

a single business. In 1911, Pollard left to set up his own business, Frederick Pollard, and the company he left was renamed Jones & Ship-

Meanwhile, one of Jones & Shipman's leading managers, Mr Adcock left the company to help form Adcock and Shipley, another machine tool business which subsequently became Bridgeport.

Bridgeport has US owners following a management buyout two years ago from its then North American parent, Textron. The company in the UK has sales of about £50m, based on production from its clean, up to date plant in Leicester and another facility in Bridlington, North Yorkshire. Total UK employment is 850.

The company manufactures non-computer controlled miling machines, together with computer controlled horizontal and vertical machines centres and milling machines.

Some of the larger machines it makes were designed by Yasuda of Japan but Bridgeport uses European, and largely British components, except for some of the controls. A small element of Bridgeport's turnover comes from selling equipment made by

Bridgeport is in the midst of an excellent trading period, despite competition at the lower end of the market from Taiwanese producers.

Two years ago it was producing 18 CNC machining centres a month at Leicester; today output is running at 70 a month. From castings to final machine completion takes just 14 days.

Bridgeport's machines range in price from about £5,000 to £125,000. The Bridgeport group, which includes production facilities in the US and Singapore, claims 55 per cent of western world sales of standard turret milling machines.

Jones & Shipman had a difficult time during the recession of the early 1980s and the period immediately after that

and has been fighting its way

back since then. Sales last year

at just over £21m were about the same as in 1980. The company, which moved

to its present site in 1946, makes grinding and honing machines as well as small tools. It is one of the few remaining machine tool companies which retain a stock market listing.

Some of its specialist machines are sold to leading manufacturers such as Lucas, British Aerospace and Rolls-Royce. It sells 60 per cent of its grinding equipment overseas, a sign of the greater export orientation of the British machine tool industry. Bridgeport exports about 75 per cent of its output.

Jones & Shipman, which was very slow into computer controlled machines but has been extending its range of such equipment from about 1985, manufactures machines selling typically from £10,000 to £120,000.

It has an order though from Austin Rover for a six-spindle houing machine for conrods which will cost the purchaser close to \$400,000.

Jones & Shipman concedes that it has lost market share over the past two years in low cost grinding machines to Taiwanese makers. Visitors to its small technical centre within its factory, though, are shown new ranges of more sophisticated equipment which are being introduced to the market

The chairman of Frederick Pollard is Mr Raymond Pollard, eldest grandson of the founder. The company employs just under 200 and had sales last year of \$12m.

Most of this derives from manufacturing Pollard's owndesigned equipment. A substantial element also comes from selling machines made by Mori Seiki of Japan.

Pollard has been quoting to make a special purpose machine that will cost about £800,000. However, it does not manufacture the really large transfer line machines for car and aerospace factories which Ex-Cell-O used to make in Leicester.

Mr Pollard describes the state of business for the company at the moment as very satisfying

Nick Garnett

Robert Waterhouse on the end of a coal-mining era

The last rites for a profitable pit

WITHIN 18 months or so the Bagworth/Ellistown coalfield in Leicestershire, the last surviving colliery in the geologically isolated Leicestershire area, is to cease production. Closure will mark the end of a phased programme undertaken since the early 1980s and a mining era begun at Whitwick

in 1820.

Mr Tony Deakin, British Coal's Central Area director, says that he expects Bagworth/Ellistown to be profitable to the death. In recent months it has broken records as one of the area's "big-hitters", or collieries producing more than Im tonnes of saleable coal a year. During June miners there, working modern retreat-face methods, averaged 7.87 tonnes per man-shift compared with the improving national figure of 4.69 tonnes.

But go it will, because workable seams are apparently nearing exhaustion. The 1,000 miners, who belong both to the National Union of Mineworkers and the Union of Democratic Mineworkers, are being offered redundancy packages or the chance to move on to the new Asfordby superpit. Asfordby, near Melton Mowbray, is geographically in Leicestershire but operationally part of the Nottingham-

This autumn more than 100 Leicestershire miners are expected to make the switch to Asfordby, where they join others from South Derbyshire on preparatory work to cut a roadway from the shaft bottom to mine coal. They will, by definition, be UDM members, since British Coal has negotiated a six-day week deal for Asfordby with the UDM, which is the recognised union in Nottinghamshire. But the UDM remains lukewarm about Asfordby's prospects.

Imminent privatisation of the CEGB – with the potential this brings to open power stations to cheap coal imports – and the Government's intention to privatise British Coal inevitably provokes speculation on UK mining investment. In the case of Asfordby, a £400m replacement for the North West Leicestershire coalfield intended to produce 4m tonnes annually and employ about 1,800 people, there have been suggestions that the pit could be mothballed or mined



Astordby pit which has attracted Leicestershire miners from the Bagworth/Ellistown coeffeid

cheaply.

Mr Ken Moses, British Coal's technical director, denies that privatisation is making any difference to the sums. He says that Asfordby is just a few weeks behind schedule, that jobs will be available this October as planned, and that the pit

should be in full production by 1994.

However, there is to be an annual review of Asiordby's progress in October which ties in with the next investment decision — whether to commit £100m to driving roadways to access the coal seams. So far, £120m has been spent in building the winding towers and drilling the mineshafts. But that, says Mr Moses, is no guarantee Asfordby will be completed.

He stresses that decisions are taken in the light of future profitability. "At a moment like this of major commitment we always ask ourselves whether it is worth proceed-

whether it is worth proceeding."

The test used for profitability is stern. Asfordby will be
expected to return operating
costs of around £1 per gigajoule compared with £1.55 in
the north east area, currently
the most effective coalfield,

As a comparison, open-casting operations in June 1989 had operating costs of £1.06 per

Mr Moses admits that Asfordby will not be in the same league as Sclby, where development costs already amount to £1.1bn. The key to Asfordby, he says, is the six-day week agreement signed with the UDM, the precursor to a similar deal for the proposed Margam Mine in South Wales. But, Mr Moses asks, will miners be able to change the habits of a lifetime for a three week on, one week off flexible working routine?

Such doubts are met with scorn by Mr Nell Greatrex, the UDM's Nottingham president and national vice-president. The six-day week agreement has been struck with us. We are honourable people, and we will stick to it." Mr Greatrex comments. "We didn't much like the idea of flexible working, but we have accepted its

reality."
He claims that British Coal would prefer to call a halt to Asfordby because of unexpected geological problems, and that they had hoped to use flexible working as an escape route. "Asfordby will be a white elephant" he cause "interest."

Bagworth/Ellistown coatfield

British Coal will go ahead because it would be too embarrassing to pull out." He predicts the eventual workforce

will be around half the original

Mr Greatrex believes Asfordby will never be a significant contributor to the Nottinghamshire coalfield, which last year returned operating profits of £89m. "We could well do without it," he concludes. It is in this climate of apathy that British Coal must take its next investment decision. Mr Moses says that he is indeed looking at cheaper ways of accessing the coal, ways that could perhaps save £50m of capital costs and thus reduce

the mine's debt servicing bur-

But, he insists, whatever happens at Asfordby has relevance only for Asfordby. The investment decision, affecting the mine's likely performance in the 20 years from 1995, is entirely dependant on his jurigment, as chairman of British Coal's capital investment committee, "There are no global implications if we chose to stop or to slow down the project." The money is there if he cares to spend it, says Mr Moses, and it is not endangered by any privatisation.

Development at Hawkhurst Moor, the proposed superpit in Warwickshire with much the same capacity as Asfordby, awaits the Environment Secretary's decision following a public inquiry. If it receives the go-ahead, parallel investment criteria will apply, Mr Moses says.

Ironically, the environmental outcry which first greeted the idea of mining in the Vale of Belvoir is far more muted today. By common consent, British Coal — which chose the least sensitive sile for surface operations — has so far respected its promises on construction noise and nuisance. The worry must now be that Asfordby's potential contribution to the local economy, as Europe's single largest mine, is never fully realised.

Open-casting does cause residents problems, and the two Leicestershire sites are no exception. Coalfield North, near Coalville, has been worked since 1982. Its 182 hectares are expected to yield 7.5m tonnes when completed 1992. A 231 hectare site at Lounge, near Ashby de la Zouch will provide am tonnes.

Applications exist for small extentions, and British Coal's Opencast Executive is keen to stress its caring side. It so happens that the M42 Birmingham-Nottingham motorway construction crosses wellands on the Lounge site. There are plans to establish a nature reserve at Lounge. In the meantime naturalists removed plants and amphibians from the motorway line to a temporary sanctuary at Peterborough only to learn that the frogs and toads had already made new homes for themselves at Lounge.

British Coal's Central Area operation is still directed from Coleorton Hall, the majestic Leicestershire country house built in 1804 for Sir George Beaumont, friend and patron of Wordsworth, Coleridge and Landseer among others. Coleorton is one of several Midlands seats which came into the coal board's ownership on nationalisation. Now that Leicestenshira is deemed to be without coal and Central Area's operations are pushing south Coleorton seems a candidate for less technical pas-

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Midlands Airports, The Park features three different options. The Osiers offers the most prestigious effice accommodation in an impressively wooded setting, ideally suited to a company's national headquarters.

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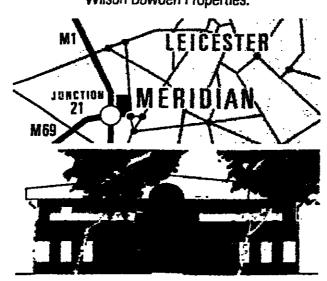
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EDUCATION

Thorny issues at county hall

OVER the years, Leicestershire education committee has to many represented the best of England's eclectic system. Created in 1974 from an amalgam of three education authorities, Leicestershire still maintains traditions of the city, the county and Rutland - tacked on at reorganisation - while encouraging innovative

Three comprehensive systems of secondary educa-tion run in parallel, the most individual being the former county area's lower schools for year-olds and upper schools for 14-18 year-olds. There is also a small catholic system, mainly for 11-18 year-

For the past nine years, Leicestershire has been a hung council and for four years the education committee has had no chairman. This came about when the then Alliance members declined to support the Conservative group, whose turn it was to take the chair, over budget proposals.

Each party has an education spokesperson. As the county's director of education, Mr Keith Wood-Allum, says: "Depending on how members are feeling somebody gets appointed to the chair. At the moment it's tending to be the Labour

In fact, a sub-committee once proceeded with nobody in the chair. The advice education officers received was that, although they could not legally step in, so long as consensus prevailed the committee could

continue to sit. Consensus in times of dras-tic change to education methods, and to its administration. might seem an impossibility. But Leicestershire's practice is to develop complex issues in working groups so that detail is understood and attitudes explored by the time they come to committee.

As a democratic safeguard, Leicestershire runs a device called a five-member notice by which any committee decision formally opposed within a week by any five councillors is automatically referred back to next month's meeting. It is not uncommon for councillors from outside the education committee to employ such tactics on certain ssues.

The biggest single issue every education authority is facing at present, with GCSE and national curriculum preparations over, is the local mangement of schools (LMS) provisions of the Education Reform Act. Leicestershire has been through a double consultation process with school governors, heads and darents before producing a report which goes to committee on 30

September.
This raises what Mr Wood-Allum calls "a number of thorny issues" including the implications of local budgeting. But he is not so sure that power will necessary slip much from county hall. "The fundamental point is that we will still determine how much there is to spend on education over-all." What is new, he says, is



Keith Wood-Alium, director of education: taces problems with the implications of local budgeting

that schools will have an opportunity to move their spending allocation between expenditure heads.

The crunch comes with staff-

ing. Teachers represent about 70 per cent of budget costs. School governors will have powers to appoint staff, decide n establishment strength and dispose of teachers if they so choose. "At the moment Leicestershire operates a no-redundancy policy. If a school's governors wished to make someone redundant against my advice it is open to my authority to ask them to meet the cost of the redundancy pay-

In the current climate, and given the new demands of the national curriculum, all education authorities are having

ened advisory service." Attracting teachers is one thing combatting falling roles another. By and large, Leices tershire does not have a prob-lem in primary schools. Two closed voluntarily last year, but the county's primary population is growing. The secondary trough came later than in most counties and will level out sooner, but overall num-

bers are falling. The authority went through a three-year exercise to close an 11-14 school in Melton Mowbray where, in its opinion, reduced numbers made the school unviable. Faced with closure, the school's governors decided to back parent demands to opt in favour of grant maintained status. Their application was approved by

The county maintains its ability to innovate. For example, Leicestershire's Theatre in Education group of actor-teachers, is currently touring the county with a play on economic awareness

problems attracting and retaining the right calibre of staff. Leicestershire, however, sees itself reasonably well-placed, Three teacher training establishments provide a good supply because people tend to got to know it. And career opportunities do exist.

'Leicestershire has a continuing tradition of expenditure on staff development and in-service training," says Mr Wood-Allum. "We've concentrated on working alongside schools, encouraging them to review their curriculum and organisation, to determine their own training needs. We've offered the resources and the support of a strength-

LOUGHBOROUGH

the Education Secretary last

Mr Wood-Allum says that the school will, of course, receive every help from his authority. Children who go there will begin and finish schooling with the LEA. How ever, the decision obviously hurts. "The knee-jerk reaction is to say that when local authorities go through all the ses of consultation and a school threatened with closure has an escape hole to become grant maintained all that does is pass the problem onto the next school.

"It remains to be seen how this school builds relationships in its new form with Melton's other schools. Although it is

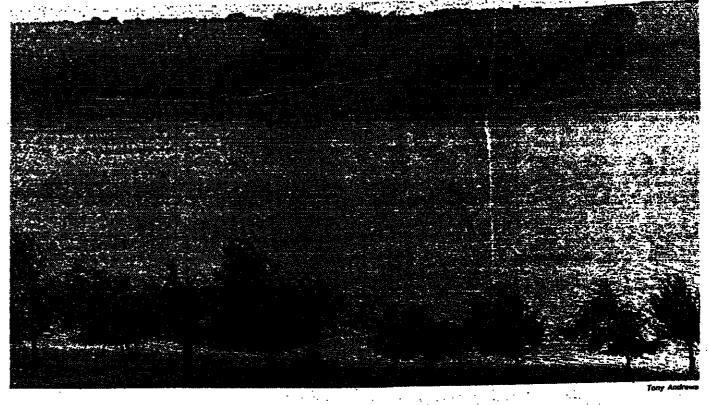
differently organised the curriculum must be consistent. After all, we're dealing with the same children. There are a lot of uncertainties about how grant maintained schools will operate, and there is ground for discussion on buying in services. But the onus is on the

Despite the demands of the national curriculum, the county maintains its ability to innovate. Mr Wood-Allum points to Leicestershire's Theatre in Education group of actor-teachers, currently touring the county with a home produced play on the theme of economic awareness. A video on the subject of AIDS sold

The authority has negotiated a Compact agreement in cer-tain parts of Leicester, but the county is not in the forefront of TEC initiatives. Leicester-shire's critics compare it unfavourably with Nottinghamshire and Derbyshire, where the links between education, training and industry are bet-ter developed. Mr Wood-Allum says that the county's lack of big employers is holding things back because they tend to be the basis of formal training.

"I believe it is our job, in consultation with industry to provide opportunities for vocational training of young people, have proper counselling systems and employers." There is also an important role in retraining through further education and community colleges. Leicestershire recently appointed its own marketing officer to reinforce public awareness of courses. Community colleges, a county tradition, have a new relevance in provision of access courses for career

Robert Waterhouse



TOURISM

Building on the pork pie image

almost a mirror image of the county. It's a good product; with plenty of variety, many amenities but few large attrac-tions, and it hides itself away. It is quietly prosperous but can, and will, do better. Earlier this year Leicester-

shire County Council pub-lished a draft consultation strategy for tourism. It was the work of Mr Alex Hohnes, the county's first tourism officer, who promptly left for the chal-lenge of Cheshire. His cogent analysis, together

with commitment by the county, Leicester City Council and the English Tourist Board to a development programme. provides the impetus to propel

Leicestershire into action.

Because it lacks a single attraction or an exhibition centre large enough to serve regional business, the county's tourism network has grown in a piecemeal fashion. A buoyant economy ensures heavy use of hotels from Mondays to Thurs-days — only in Rutland, the former county which is now a Leicestershire district, do sure tourism almost hold its own. But most business visitors stay just one night. It's not perceived as somewhere to lin-

There are places of interest. for sure. The most visited by far is Bradgate Park, where more than im people annually The fact that Bradgate Hall is the birthplace of Lady Jane Grey doesn't have much relevance: the hall is in ruins, though the history holds good. Leicestershire's other sites like the Bosworth Battlefield and Jewry Wall, Roman remains in the heart of Leicester, attract far fewer visitors.

It is not the county's or the

tourism industry's intention to promote an Alton Towers or a big theme park "experience."



Leicester's Clock Towe

That, they feel, would be out of keeping with the scale of exist ing products. Rather, the proposed strategy suggests a sequence of themes: history, obviously; countryside, with emphasis on the Vale of Belvoir and Rutland; cheese and pies, based around Melton Mowbray and Stilton; industrial heritage, of which there is a surprising amount including the Moira blast furnace near Ashby de la Zouche and the Foxton Locks; shopping sports, (Donington Park and Rutland

Water); and family interests. Because tourism is a low-key affair in Leicestershire, and potential is high. But already it provides valuable income and obs. Last year it was worth £115m to the county economy, of which some £20m came from

About 7,600 jobs can be directly attributed to tourism, with a further 14,000 indirectly elated. In East Midlands terms Leicestershire is just one of five counties with comparable

The county is unusually weighted to what is called in tourism jargon the VFR mar-ket. Visiting friends and relations is an excellent activity but by definition it's not a great revenue earner. Accordingly, it does not receive priority in the strategy proposals. Nor, perhaps surprisingly, does lucrative business tourism for two reasons. First, it is not easily susceptible to marketing ploys, and second there is little spare weekday capacity any-

to have any impact. As LCC's strategy report points out, Leicestershire needs "one coand the overseas leisure tourist. The logic here is that ordinated marketing effort in Leicestershire's location and good communications offer a day visitor potential, especially from the West Midlands, that weekend break visitors spend order to put across a strong sales message to the consumer and the travel trade. However, research carried out for the East Midlands Tourhandsomely in response to creist Board of a representative ative marketing, and that Leicestershire should build on

sample in London suggests that Leicestershire at least does not have an unfavourable its already strong position with overseas visitors, who often image to combat. Along with Northants it is perceived as don't share British notions about the "boring" Midlands. There are, of course, ways in rural, relaxing and slightly quaint. So for next season the board is launching a new prowhich Leicestershire's tourism product could be improved. The county's hotels, especially the smaller ones, need better all-round facilities like en suite motion linking the two counties as The Village Green of The industry is comfortable bathrooms, and because of the day-based nature of many vis-

about this tie-up," says Mr John Dylan-Guy, director of the East Midlands Tourist Board. "Leicestershire has an accurate image. It is a question upping awareness." People, he says, really do come to the county for pork pies and local

The M25 has improved access no end. And the Leicester business hotels have learnt lessons from overprovision in the 1970s: there are genuine bargains available at week-

Robert Waterhouse

A MAJOR FORCE THE EAST MIDLANDS

its there is a scarcity of self-ca-

tering establishments.
This is just the sort of ven-ture which the county council

is seeking to encourage

through a new tourism busi-

pess grant scheme, paid on a job-creation basis up to £2,500.

All the same, public participation in a fast-growing

multi-million pound industry is

pitifully low. Local authorities

do what they can on restricted promotional budgets. The county council's \$40,000 and

Leicester City Council's 270,000

have to be spent very carefully



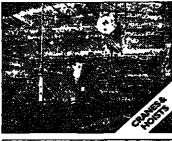
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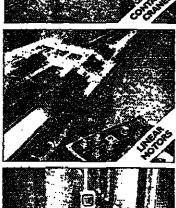
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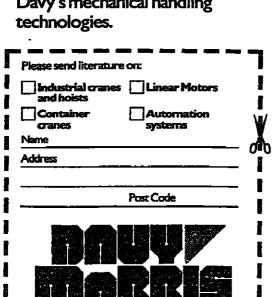




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The Financial Times proposes to publish this survey on:

18 OCTOBER 1989

For full editorial synopsis and advertisement details, please contact:

PAUL JEFFERIS

MID WALES

The Financial Times proposes to publish this survey on: **3 NOVEMBER 1989**

For a full editorial synopsis and advertisement details, please contact:

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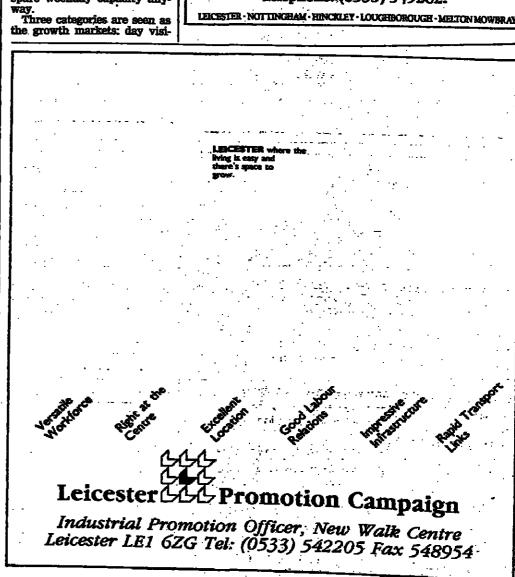
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LEICESTERSHIRE 5

East Midlands International Airport

More scheduled services are crucial to sustain growth

Airport's proximity to the M1 was highlighted tragically last January, when the diverted British Midlands London Bel-fast flight crashed into the motorway bank at Kegworth

The airport has sought to distance itself from the aftermath, though its emergency services played a leading part in the rescue operation. Mr Terry Lovett, the airport's managing director, says he s no need for re-examinin safety procedures in the light

of Kegworth. Airport growth was held to 3 per cent at 1.36m passengers in 1938-99 by a poor year for inclu-sive tours, but pre-tax profits grew by 32.9 per cent to £2.8m. Cargo recovered from a 20 per-cent shump last year to record

With only minor improvements the airport will handle 2m passengers a year, with a possible

2000 on the cards a 29 per cent increase at 20.800 onnes, with a further 7,975.

expansion to 7m by

tonnes of mail.
East Midlands, confirmed as the Post Office's central hub. operates 18 flights nightly in and out after sorting Last November, Sir Bryan Nichol-son, chairman of the Post Office, opened a £1.25m postal sorting building, subject of a

Castle Donington, has schod-

about 20 per cent of business The authorities hope that the airport willbecome a hub for British Midland rather like Birmingham is to

be for BA, attracting the smaller carriers there. These reported big pas-senger increases during the past year. Despite its awkward mid-day timing, traffic on the Paris service was up 39 per-cent. Glasgow saw a 34 per-cent improvement, Amsterdam

17 per cent.
While praising British Mid-land's performance Mr Lovett stresses that his airport is not necessarily tied to one particular carrier. He hopes that it will become a hub for British Midland rather like Birmingham is to be for British Airways, attracting the smaller feeder carriers. He also suggests that the airport badly needs scheduled services to Brussels and Dusseldorf.

A decision not to procee with expensive ranway exten-sions for which planning per-mission was expiring has already justified itself, Mr Lovett believes. The latest genera tion of wide-bodied aircraft able on full payload, and there

One senses a feeling almost of jealousy at the relative suc-cess of Manchester in beginning to attract the long-haul destinations, along with a realisation of just how tortuous this process tends to be in the

have announced, for the first time, an inclusive tour flight from East Midlands to Orlando, Florida, in their 1990 brochur The once-weekly flight, which calls in at Prestwick, is seen by Thomson's regional sales manager, Mr Floyd Ballantyne, as a

tookover Horizon Holidays and thus Orion, who were based at East Midlands. commitment to the airport was



underlined at the launch of the nationally, inclusive tour trafDonington, where Thomson has a 47 per cent market share.

there from Luton. So far the airport, owned

by a remote system called Scoot - split cycle and offset

optimisation technique. This

reduces delays and improves

Information available to the

nerve centre also includes

details of car park spaces. So

next time you attempt to leave your vehicle in a full Leicester

car park remember - someone could be tracking you!

Robert Waterhouse

journey times.

requirement.

Mr Lovett is confident that growth can continue primed by demand. With only minor improvements the airport will handle 2m passengers a year, he says, and a possible expan-sion to 7m by the turn of the without substantial capital expenditure. To do this, however, the airport must attract a whole new range of scheduled

Nottingham, has been able to expand within the restrictions

of the public sector borrowing

Opening the M42 extension could prove a mixed blessing, since it puts Birmingham airport within 40 minutes of Derby and Nottingham, Significantly, East Midlands has sought to reinforce its presence in South Yorkshire by sponsoring a play at the Crucible Theatre and an exhibition at the Ruskin Gallery, Sheffield. The airport may only be half the size of Birmingham but it is twice that of Leeds/Bradford,

and it intends to maintain the

Robert Waterhouse



ROADS

From excellent to very poor

food of economic prosperity there is no reason why Leices-tershire's business community should not be banqueting.

The menu is impressive enough as things stand, and the White Paper of May 1989 promises further main road Most routes through the

county tend to go north-south, which can make cross-country

work interesting.

But useful connections include the M69 linking Leicester to Coventry and the prospect of the M42 tying Birmingham to Castle Domington and

Nottingham.
British Rail runs 125 passenger services every half hour to
Leicester from St Pancras.

Km 32

route grazes the county north of Stamford.

The Kings Cross-Peterborough service has made the eastern part of Leicestershire a speedy, if increasingly costly,

It has been instrumental in raising house prices in and around the pretty Rutland towns. As an alternative, the Al runs in parallel.

East-west roads vary from the excellent to the poor. Some, like the A47 Leicester-Peterborough route, are muchimproved but still often tedious and environmentally intrusive.
One problem facing highway
engineers is that the River Soar runs north-south through the county with a scarcity of

LÉICESTERSHIRE,

Mowbray

it has brought Leicester pros-perity by funnelling traffic onto the city's bridges. Nowadays Leicester is handling traffic which it could do

without, and the county council's recent Transport Policies and Programme (TPP) for 1990-91 includes a new river

crossing for Leicester's intermediate ring road.

Among the more significant East Midlands proposals affecting Leicestershire in the White Paper include widening the M1 to four lanes in each direction, an eastern hypers for Leicestershire. an eastern-bypass for Leicester and improvements on the A6 and the A47. Communications from East Midlands International Airport to Staffordshire will be helped by the new A564

Within the county Leicester-shire bid to spend some £17m in the coming year on improvements or extensions to non-trunked roads. Just over half of this bid was accepted by the Transport Secretary, with almost £8m worth eligible for

transport supplementary grant.
Disappointing though this is
to highway proponents it
should be seen in the context of public transport. The county council is giving just £1.2m, plus concessionary fare sup-port of £2.1m, for bus revenues in the present year.

A reinstated rail service

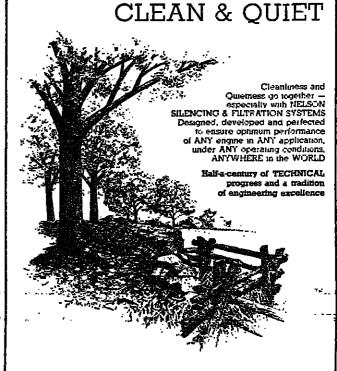
between Leicester and Burtonon-Trent is to be extended to Derby past the Toyota plant. Of 16 new stations, 14 will be in Leicestershire. Works are budgeted at just under £3m this year, compared with £16.5m for highways mainte-

However, Leicestershire has a road repair problem height-ened by increasing traffic vol-umes, often on highways not designed to take the loads they

A survey carried out during March as part of a national assessment showed that millions of pounds over and above what could be claimed was needed to bring structural maintenance of roads and footways to acceptable standards.

Additionally, cyclists and motorcyclists must contend with above-average wheel track rutting. The county council believes this is a trend likely to get worse. Provision of cycleways in and around Leicester is planned to take just £30,000 from this year's budget. Leicester has a city centre

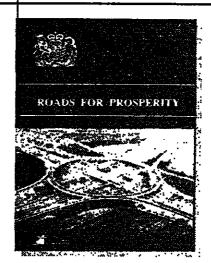
action programme intended to extend pedestrianisation and restrict unnecessary cross-town journeys by improving the central relief road. Flow of traffic through the



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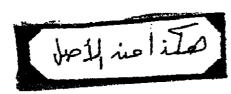
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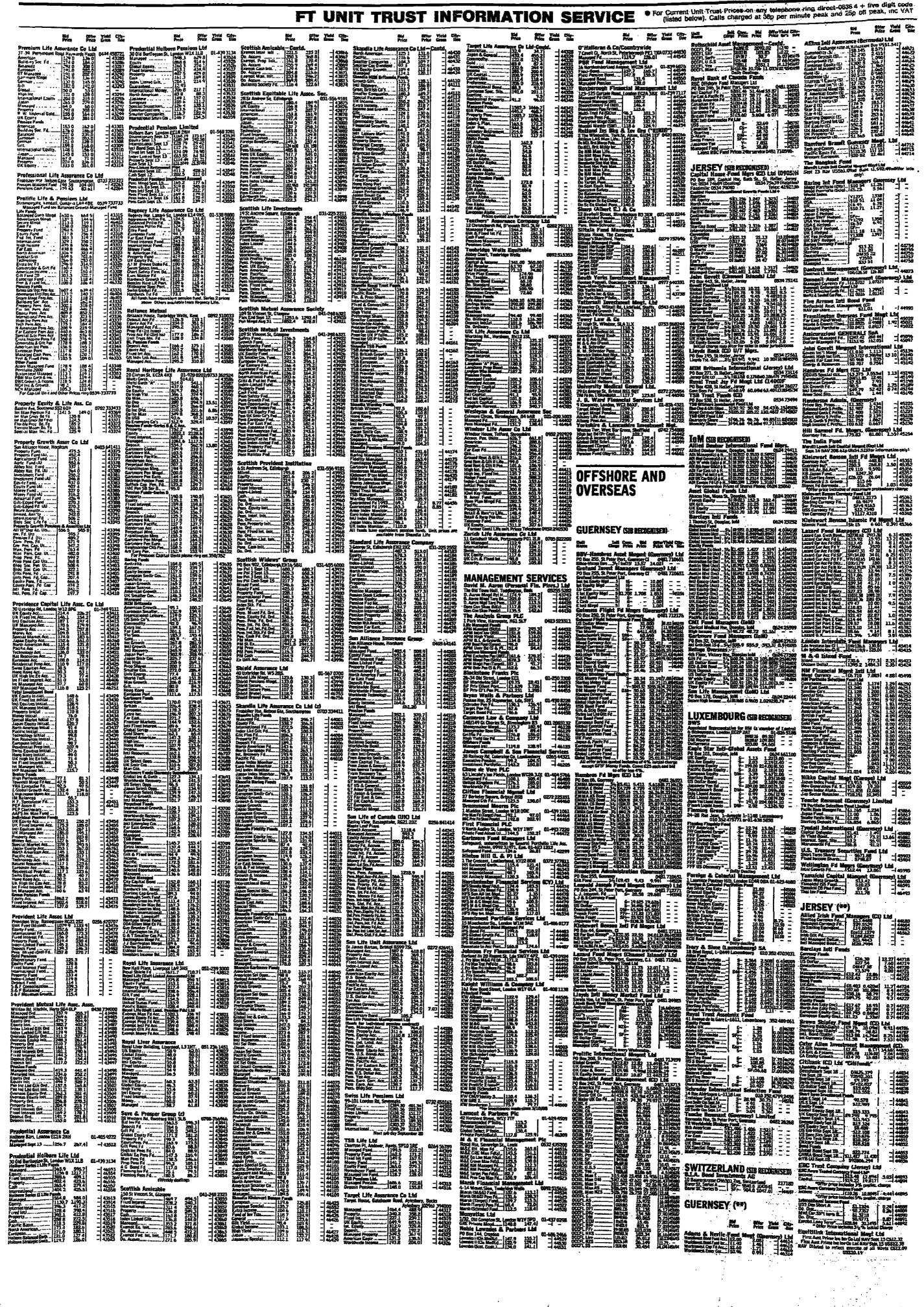
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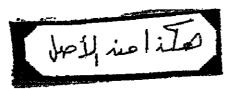
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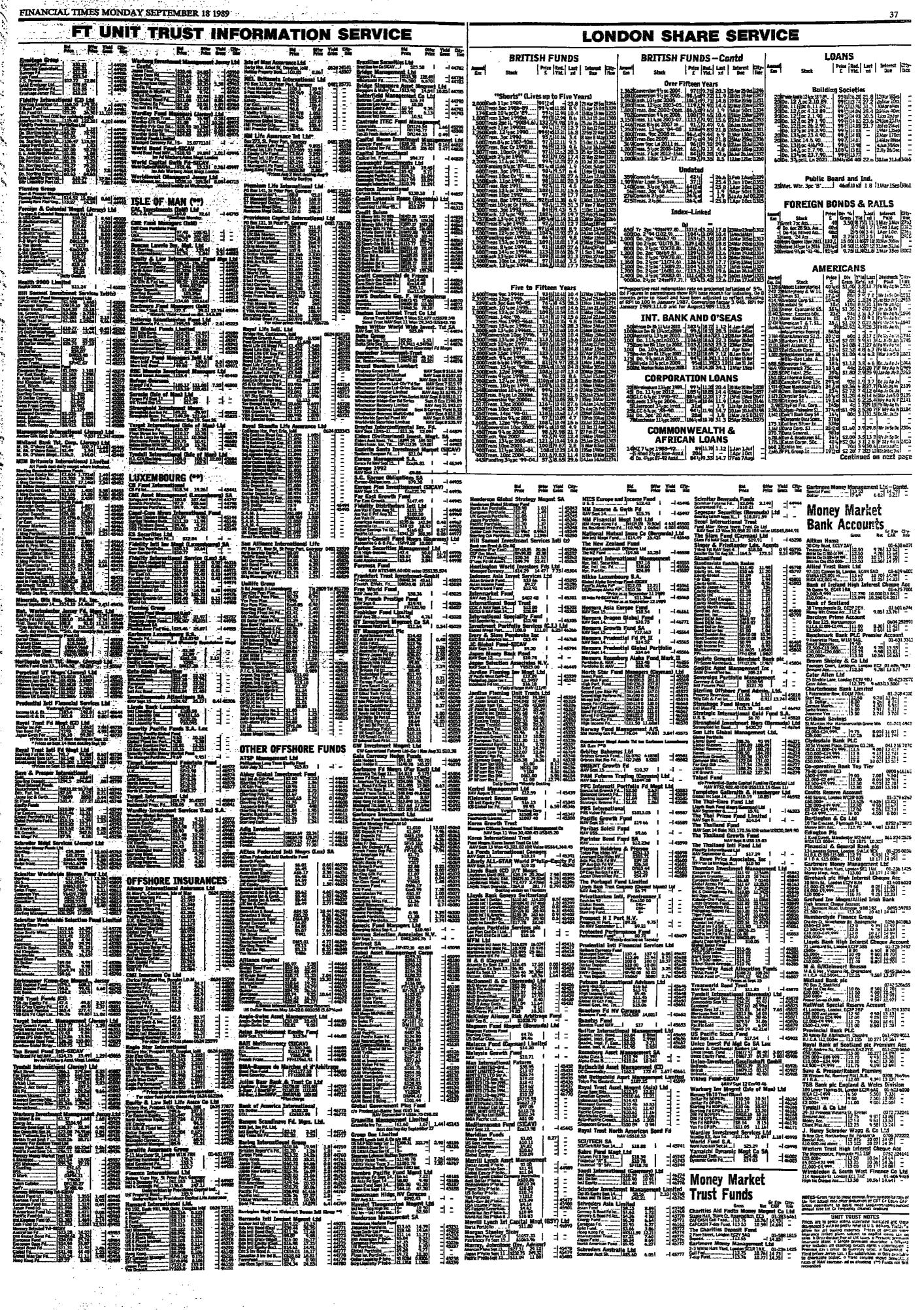


FINANCIAL TIMES MONDAY SEPTEMBER 18		TRUST INFORMAT	ION SERVICE '	For Current Unit Trust Prices on any telephone (listed below). Calls charged at 38p per min	ring direct-0836 4 + five digit code ute peak and 25p off peak, inc VAT
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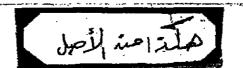
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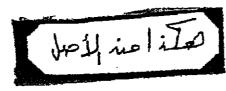
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CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Does the Fed want a weaker dollar?

SUPER FRIDAY - with its host of US statistics - is now behind us and has left the market asking: What does this tell us about the dollar, apart from the obvious short term answer

that the currency is strong?
On publication of the trade figures for July the dollar immediately broke through resistance at DM1.9780 and threatened to establish a new trading range above DM2.00. Before the figures were announced the market was asking whether support at DM1.9840 and DM1.9400 would hold, but soon after publication the dollar was above DM2.00, even after - and some traders said because of - co-ordinated central bank intervention.

It looked as though the dollar might be running out of steam in the high DM1.99's, and was drifting back when the central banks came in to sell at DM1.9950. This pushed the currency a little lower, where the market decided it was a good opportunity to pick up cheap dollars, creating the

£ IN NEW YORK

STERLING INDEX

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1311-1311 811-811 121-12 772-77 7-77-77 7-8-8 12-10 81-81 81-8 81-8 81-8 81-8 81-8

DM

3 078 2 000

0.963 1.483 2.965 220.4 10. 2.556 0.377 0.580 1.159 86.18 3.910 1

0.841 1.682 125.0 5.672 2.393 4.787 355.8 16.14

Yen per 1,000: Fresch Fr. per 10: Lira per 1,000: Befgian Fr. per 100.

higher rates

14 per cent from May 24

GRANV

CCL Group Ordinary
CCL Group 11% Come Pref
Carbo Pic (SE)
Carbo 7.5% Pref (SE)

Capitalisatio £000's

135113

IF IT can now be assumed that increase the US Federal Reserve will Mr Ka

0.887 65.94 2.991 0.765 1.395 103.7 4.705 1.204

Frankfurt expects

the US Federal Reserve will

not relax its monetary stance of the Bundesbank, made it
in the near future and that clear last week he is unhappy
countries like Britain, Italy

and Spain will continue to operate high interest rate policies it tends to increase the problems of strong economies with low interest rates, such as West Germany and Japan.

UK clearing bank base leading rate

14 per cent

The protection afforded by the European Monetary System makes lira and peseta investments relatively safe and more rewarding than D-Mark investments. The German economy is strong, with in Gross National Product of around 4 per cent probable this year. Inflation is low at under 3 per cent, but if the D-Mark continues to weaken against the dollar the risk of tary policy, but that was before importing inflation will meet in Washington, might cause a delay. Nevertheless a rise in rates is already discounted in the Frankfurt money market.

Japanese officials tried to talk the dollar down last week, with warnings about rising inflation from a weak yen and the possibility of increased central bank intervention. The Bank of Japan denied it is considering tightening its mone-against the dollar the risk of tary policy, but that was before importing inflation will

SPONSORED SECURITIES

Sep.15

,2M ,2M ,2M ,2M

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Sep.15

0.650

0.325 | 0.500 | 1 4.371 | 6.725 | 13.45

MONEY MARKETS

Previou Close

1.5530-1.5540 0.64-0.62pm 1.89-1.96pm 6.75-6.65pm

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 81/2-81/2 per cent; three years 87/2-81/2 per cent; four years 87/2-81/2 per cent; five years 81/2-81/2 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; exhers, two days' notice.

EXCHANGE CROSS RATES

impetus to surge through DM2.00. The trade figures were unambiguously good, allowing the market to shrug off the implications of a slowing econ-omy and an unexpected fall in the August Producer Price

Index (PPI). First glance at the PPI suggested inflation is not a problem, and the Federal Reserve could be tempted to ease its monetary stance, but a second look shows a very dif-

ferent picture.
The headline PPI figure fell 0.4 per cent, but stripping out food and energy prices it rose 0.5 per cent. There was a sharp fall in oil prices during the period, which now threaten to be reversed. This is, therefore, not a figure that will encourage the Fed to ease.

Other statistics tend to confirm this. August industrial

production rose 0.3 per cent, against forecasts of 0.2 per cent and a revised gain of 0.1 per cent in July. Stronger than expected production was cou-

CURRENCY RATES

1.25787 1.24098 1.47056 17 1901 51 0849 9.49250 2.44250 2.75311 8.24445 180.811 N/A 152.561 8.23949 2.10532 211.130

ûne Year

Sterling quoted in terms of SDR and ECU,per £.

† European Commission Calculations.

* All SDR rates are for Sep.14

14:-13:1 81-81 12:-11:1 71-7:-71-7:-71-7:-12:-12 81:85: 81:5:1 81:85: 81:5:1 81:85:

1.830 1.189

Yen | F Fr. | S Fr. | H Fl. | Lira | C 5 | B Fr.

3.363 1.307

1.451 1.896 4.129 5.397

I 635.7 1.573 1000.

move, at the same time as the Group of Seven prepares to meet in Washington, might

Gross div (p)

10.3

+2

3.0 9.2

22 19.1 5.4 -6.8 7.7 10.5 -10.6 -5.1 3.6 8.7 -3.5 12.9 9.4 -

228.8 10.38 2.665 3.470 2206 148.7 6.745 1.725 2.255 14.33

74.33 3.572 0.863 1.127 1000. 45.37 11.60 15.17

pled with a higher than fore-cast level of capacity utilisa-tion, suggesting that US industry is ticking over at a healthy rate and does not require the stimulus of lower interest rates.

We appear to have a situa-tion where the trade position has improved, the economy is doing rather better than expected and there is no reason to be complacent about inflation. August US consumer prices will be published tomorrow and the year-on-year rate will probably remain around 5.0 per cent, although some optimists are looking for a figure as low

as 47 per cent.
Friday's rise above DM2.00
was somewhat tentative. Stop loss buying orders at around DM2.0005 probably contributed to the currency's surge, before profit taking took its toll. If the dollar can consolidate above DM2.00 the next technical resistance point on the charts is not until DM2.0260; if this is broken, it could it up to DM2.0440.

This poses the question of what do the central banks do next? Tokyo was closed on Fri-day for a public holiday, but the Bank of Japan kept up relentless dollar sales during relentless dollar sales during the rest of the week. This suc-ceeded at one time in getting the dollar below Y146.00 and appeared to be aimed at insur-ing there was no threat of Y150.00 even if the US figures were good. In the event, this proved a successful strategy, but it would not be surprising if the Bank of Japan continues to run down its reserves this

Other central banks - 12 were involved on Friday - may feel a similar need, but with the US economy apparently performing so well there are some in the market who feel that the Fed has no strong reason to push the dollar down. If this is so it could lead to some interesting discussions at the Group of Seven/IMF meetings in Washington, beginning next weekend. Colin Millham

Sep.15	Bank of England Index	Morgan ^{es} Guaranty Diapoges %
Sterling U.S Dollar Candian Dollar Austrian Schilling Belgian Franc Danish Krone Desside Klark Swiss Franc Guilder French Franc Lira	91.1 73.1 105.0 106.1 105.5 102.9 112.0 106.5 109.8 99.2 99.3 136.4	-19.9 -5.4 +1.1 +9.4 -6.2 -1.9.8 +15.9 +15.9 +12.9 -15.4 -18.7 +85.0

Şep.15	£	\$
Argentina	998.40 - 1006.75	650.00 - 655.00
Anstralia Brazii	1.9910 - 1.9935 4.8475 - 4.8770	1.2965 - 1.2975 3.1560 - 3.1720
Finland	6.9130-6.9485	4.4940 - 4.4960
Greece	263.45 - 267.95	169.30 - 172.05
Hong Kong	12.0135 - 12.0290	7.8080 - 7.83200
iran	116.30°	73,20°
Kores(Sth) Kumalt	1032.95 - 1041.25 0.46210 - 0.46395	667.70-673.10 0 30100-0 30150
Locations	64.25-64.35	41.75-41.85
Malaysia	4.1580 - 4.1690	2.7060 - 2.7080
Mexico	3955,20-3974.45	2575.00 - 2585.00
N. Zestano	59795-59590	1.7035-1.7065
Saudi Ar Singapore	5.7595 - 5.7695 3.0575 - 3.0630	3.7500 - 3.7510 1.9855 - 1.9875
5.4 (Cm)	4.3665-4.3845	2.8400 - 2.8450
S. Af (Fa)	6.1085 - 6.2315	3.9685 - 4.0485
Tahwan	39,55-39.65	25.70-25.75
UAE	5.6400 - 5.6410	3.6725 - 3.6735
	"Selflag rate	

POUND SPOT- FORWARD AGAINST THE POUND									
Sep.15	Day's spread	Close	One month	92	Three months	% pa			
S	64.00 - 64.45 11.924 - 11.954 1.1495 - 1.1575 3.064 - 3.08	15380 - 15390 18295 - 18305 3.464 - 3.475 64.25 - 64.35 11.934 - 11.944 1.1565 - 1.1575 3075 - 3.08 264.30 - 257.30	0.64-0.61cpm 0.27-0.18cpm 1.3-1.5cpm 31-28cpm 44-3-3cmpm 0.45-0.40pm 1.4-15pmpm 1.4-15pmpm	4.87 1.48 6.05 5.51 4.02 4.41 6.58 0.89	1.87-1.83pm 0.71-0.57pm 51 ₄ -5pm 34-80pm 121 ₄ -113pm 1.15-1.05pm 41 ₄ -45pm 11-29ps	4) 1) 5) 5) 3. 6)			
paid aly oneay endes	191.50 - 192.35 2199 - 22084, 11.144 - 11.19 10.36 - 10.384, 10.314 - 10.374, 2284 - 2294	191.60 - 191.90 22054 - 22064 11.144 - 11.154 10.374 - 10.384 10.334 - 10.344 2284 - 2294	3-11cds 4-20reps 23-20-oreps 40-4cps 13-15-oreps 15-15-ypm	-0.13 1.63 2.89 4.70 2.03 8.20	17-30ds 10-8pm 81 ₄ -7½pm 115-11½pm 5½-4½pm 53-4½pm	4. 1. 4. 1. 8.			
istria ritzerland . CU	21.59-21.71 2.64% - 2.66 1.4770 - 1.4840	21.68-21.71 2.65-2.66 1.4830-1.4840	13-11-00pm 13-11-00pm 0.54-0.51cpm	6.64 5.93 4.24	36-33pm 37-34pm 1.48-1.43pm	6. 5. 3.			

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR								
Sep.15	Day's spread	Close	One month	% P3.	Time months	% pr		
UK† Ireland† Ireland† Canada Hetherlands Belghum Denmark W. Germany Portugal Spaic Italy Horway France France Seeder Japan Japan	41.25 - 41.90 7.66 - 7.77 \ 1.9705 - 2.0035 165.20 - 166.90 123.15 - 124.90 1415 - 1436 \	148.65 - 148.75	0.64-0.61cpm 0.12-0.07cpm 0.32-0.35cdis 0.25-0.23cpm 0.45-0.65cratis 0.27-0.25dpm 45-60cdis 1.00-3.70diredis 1.00-3.70diredis 1.01-1.70diredis 0.40-0.38cpm 0.40-0.38cpm 0.40-0.38cpm	4847921484578011834578717 0001457841777317	1.87-1.83em 0.50-0.40em 1.00-1.05ds 0.61-0.57em 1.60-1.95ds 0.70-0.65em 150-1.70ds 150-1.70ds 1.00-1.20ds 1.00-1.20ds 1.10-1.20ds 1.15-1.12em 1.15-1.12em	481 133 -3.46 1036 -0.92 1.378 -5.19 -3.247 -2.87 -2.87 3.101		
S wiczeland . ECU	1.7005 - 1.7305 1.0375 - 1.0605	1.7255 - 1.7265 1.0375 - 1.0385 e end of Loadon trac	0.17-0.14cm 0.05-0.04cpm	1.09 0.52	0.46-0.42pm 0.26-0.23pm	1.03 0.94		

W. Germany	1.9705 - 2.0035		0.27-0.25ofpa	158	0.70-0 (5om	1.3		
Portuga	145.20 - 166.90	166.80 - 166.90	50-60c0s	-4.00	195-2200s	13 4.7		
Scale	123 15 - 124 90	124.75 - 124.85	45-60cds	-511.	150-170dls	-5.3		
Italy	1415 - 14364	14334 - 14344	3.00-3.70lires/s	-511 -235	11.00-12.00ds	-3.2		
Norm=)	7.17-7.26	7.2412 - 7.25	1.05-1.30mzeli:	-L96	3.40-3.70ds	-1.9		
France	6.65-6.75%	6.744 - 6.744	0.04-0 1160k	30.14	0.60-0.75/85	- 04		
Seeder	6.6412 - 6.7314		1.52-1.67creds	-2.07	435-490ds	-28		
Janan	146.10 148.95	148.65 148.75	0.40-0.38ypm	318	L16-L12mm	3.10		
Austria	13.874 - 14.104		2.30-1.80eropm	177	6.00-4.50pm	15		
Switzerland.	17005-17305	17255-17265	0.17-0.14cm	109	0.46-0.4266	ÎĞ		
ECU		10375 - 1.0385	0.05-0.04cpm	0.52	0.26-0.23##	0.9		
Commercial rates taken towards the end of London trading t UK and freland are quoted in US currency. Format premiums and discounts apply to the US dollar and not to the lock/dual currency. Belgian rate is for connectal traces. Financial trace 41,85-41,95.								
	ET I ON		'EDD A N	K E	TVINA			

	NDON INT			
177 ON STUT 265'120.	3 months US dollars	6 months US Dollars		
bid 8%,	offer 8%	PR 8명	Offer 819	
he fixing rates are the ariti noted by the market to five	whetic segmes rounded to the or reference basis at 11.00 a.m	earest one-sixteenth, of the l L each working day. The ba	old and offered rates for SIG nics are Maximusi Westminsto	

	N	IONE	RAT	ES			
NEW YORK			Treasur	Bills and	Bonds		
(4pm) Prisne rate Prober loan rate Fed. funds Fed. funds at latemention	10 Str mosth 7.94 Severyer 8.10						
Sep.15	Overeight.	One Month	Two Months	Three Months	Six Months	Lombard	
Frankfurt	6,85-6,95 81 ₂ -85 ₃ 63 ₃ -63 ₄ 7,31-7,45 5 ₁₃ -51 ₄ 121 ₃ -125 ₄ 7,40 91 ₂ -91 ₄	6.90-7.05 9-94 712-74 7.44-7-50 54-512 124-124 83-814 9-3-10	7.00-7.15 93-94 103-103	7.05-7.25 92-94 72-72 752-74 752-742 123-123 82-83 103-103	7.20-7.40 9&-9& 10&-10B	7.00 8.75 - - - - -	

LONDON MONEY RATES								
Sep.15	Gvernight	7 days notice	One Month	Three Months	Six Months	One Year		
nterbank Offer micrbank Bid Sterling Cbs	13.4	137	4 - 124 - 4 - 122 - 124 - 125	4.525	4	138 134 135 135 136 137 8.70 8.70 8.70 8.70 9.5		
CD Linked Dep Bid 9½ 9½ 9½ 9½ 9½ 9½ 9½ 9½ 9½ 9½ 9½ 9½ 9½								

p.c.Local Authority as Houses Base Rate 14 fr 4 per cent. Certificate month 10½ per cent of	nd Finance rom Septemi es of Tax Do me-three mo we months 12	Houses seven lber.1 , 1989; leposit (Serie anths 12 per o 2 per cent: Un	st.1 to August.31, 1995 n days notice, others se Bank Deposit Rates for, s 6); Deposit Rates for, s 6); Deposit £100,000 zmt; three-six months 12, nder £100,000 10½ per o	ven days' fix spins at seve and over he	xed. Finance on days notice eld moder one									
BANK OF ENGLAND TREASURY BILL TENDER Sq.15 Sq.5 Sq.25 Sq.25 Sq.25														
Bills on offer Total of applications Total allocated Minimum accepted bid Allocament at minimum level	£500 £143 £500	Om £500m 3m £1485m 0m £500m 540 £96.635	Top accepted rate of discount Average rate of discount Average rate of discount Average yield Amount no offer at next tends Minimum accepted bid 182 d	13.4769 13.4463 13.9127	%13.4970% 9%13.4610% 9%13.9284%									
WEEKLY CHANGE IN WORLD INTEREST RATES														
LONDON Base ratis 7 day intertrant 3-month interfacet. Testsony Bill Trender Ranel, Bills Band 2 Bills Band 3 Bills Band 4 Bills 1 Mth. Bask Bills 3 Mth. Trensory Bill 1 Mth. Bask Bills 7 Mth. Bank Bills 7 Dicyo One month Bills 7 Dress month Bills 7 BhttsSets 7 BhttsSets 8 Bills 7 BhttsSets 7 BhttsSets 8 Bills 7 BhttsSets 8 Bills 7 BhttsSets 8 Bills 7 BhttsSets 8 Bills 7 BhttsSets 8 Bills 8 BhttsSets 8 Bills 7 BhttsSets 8 Bills 8 BhttsSets 8 Bills 8 BhttsSets 8 Bills 8 BhttsSets 8 BhttsSets 8 BhttsSets 8 BhttsSets 8 BhttsSets 8 BhttsSets 8 BhttsSets 8 BhttsSets 8 BhttsSets 8 BhttsSets 8 BhttsSets 8 BhttsSets 8 Bills 8 BhttsSets 8 Bhtt	14463 134463 134 134 135 135 135 135 135 135 135 135 135 135	Unch'd	NEW YORK Prime rates Federal Funds 3 Min. Treasury Bills 6 Min. Treasury Bills 3 Min. CO FRANKFURT Lombard One min. interbank Three month PARS intervention Rate One min. laterbank Three count)	\$cp.15 105 855 7.84 8.03 8.80 7.00 6.975 7.150 8.75 9.15 9.15	dange linetra -0.20 -0.21 linetra timetra timetra +0.050 +0.050 linetra timetra timetra +1.40 -0.50 -0.50									
BRISSELS One month Three month AMSTERDAM Gree month Three month	811 8 ¹ 2 7.47 7.57	Unct/d -12 +0.06 +0.08	MILAH Gae month Three month One month Three month	125 125 94 104	facture facture facture									

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND		FRIDA	Y SEPTE	(BER 15 19			THURSDAY	Y SEPTEMBER 14 1984 DOLLAR MOED				<u> </u>
REGIONAL MARKETS Pigures in parentheses thow number of stocks per grouping	US Dollar	% change since Dec.30 '68	Pound Sterling Index	Local	% change local cur- rency since Dec.30 '88	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency	1 989 High	1980 Low	Year ago (approx)
	Index	+6.0	147.61	132.14	+17.4	4.82	154.13	146.53	132.04	157.14	126.28 92.84	142.15 86.85
Australia (85)	153.18			152.23	+71.8	1.61	148.93	141.59	152.29	150.87	125.58	116.61
Austria (19)	146.35	+52.5 -0.8	141.03 129.16	138,49	+11.3	3.99	135.79	129.10	138.14	137.97	124.87	118.11
Belgium (63)	134.03				+ 16.6	3.19	47.40	140.13	126.43	153.59		124.6
Canada (128)	147.09	+17.2	141.75	126.54			197.35	187.62	204,66	219.89	165.35	
Denmark (36)	191.92	+ 12.6	184.94	202.55	+27.4	1.57		124.88	122.10	159.16	125.81	- 118.21
Finland (26)	128.31	-20	123.65	121.04	+5.9	2.27	131.38	124.48	136.43	133,44	112.57	94.37
France (126)	129,23	+ 12.3	124.53	136.73	+25.1	2.75	130.93	91.81	98.85	100.53	79.56	77.88
Nest Germany (98)	. 95.03	+8.0	91.58	96.81	+21.8	2.06	96.57		110.39	140.33	86.41	99.96
long Kong (48)	110.11	- 1.5	106.10	110.39	1.5	5.03	110.11	104.68	158.89	166.69	125.00	127.50
reland (17)	149.30	+13.3	143.88	157.88	+27.9	2.80	152.91	145.37	158.89	96.73	74.97	69.89
tely (97)	93.07	+9.3	89.68	99.67	+20.0	2.28	93.25	88.65	98.42	200.11	164.22	160.27
Japan (455)	175.79	-8.2	169.40	165.23	+9.2	0.48	178.37	169.57	165.23		143.35	138.50
Malaysia (36)	189.41	+39.0	192.17	207.90	+38.9	2.47	199.92	190.06	207.97	199.92	153.32	153.16
Mexico (13)	311.88	+92.7	300.54	879.75	+117.4	0.57	308.76	293.54	870.97	321.99	110.63	102.79
Netherland (43)	125.75	+11.9	121.18	129.43	+ 26.0	4.03	125.94	120.68	128.53	130.67	62.64	71.43
	83.90	+24.1	80.85	75.98	+33.3	4.62	84.36	80.20	75.93	88.18		111.60
New Zealand (20)					+46.5	1.43	184.84	175.72	179.76	198.39	139.92	121.89
Vorway (24)	184.33	+32.7	177.63	181.33		1.85	165.89	157.70	151.21	170.62	124.57	
Singapore (26)	165.27	+32.1	159.27	151,30	+35.0	4.18	156.22	148.52	136.02	157.59	115.35	101.18
outh Africa (60)	154.42	+32.2	148.81	135.29	+37.7		160.72	152.79	149.58	160.94	743.74	138.85
pain (43)	157.09	+5.9	151.38	148.52	+ 16.6	3.46	177.55	168.80	174.40	188.94	138.45	115.00
weden (35)	176.30	+21.9	169.89	175.39	+33.8	1.96		83.40	92.37	94.16	67.81	75.09
Switzerland (64)	8 6.60	+ 10.9	83.45	92.66	+27.4	2.04	87.72		145.07	158.41	133.28	123.21
Jritted Kingdom (306)	149.63	+10.6	144.19	144.19	+30.0	4.11	152.59	145.07	139.56	143.84	112.13	110.55
JSA (549)	140.21	+23.9	135.11	140.21	+23.9	3.27	139.56	132.68				101.75
urope (997)	126,42	+ 10.2	121.83	126.83	+26.2	3.26	128.45	122,11	126.99	132.62	112.63	
lordic (121)	163.35	+ 17.0	157.41	159.58	+29.5	1.78	165.84	157.66	159.68	178.38	137.95	109.06
Pacific Basin (670)	172.54	-7.4	166.27	161.94	+9.4	0.73	174.96	166.33	161.93	194.72	160.44	157.15
Tacilic Basin (0/0)	154.22	-7. 4 -2.2	148.61	147.78	+14.4	1.57	156.48	148.77	147.84	166.98	141.56	135.00
uro - Pacific (1667)		+23.4	135.41	139.35	+23.4	3.27	139.93	133.09	138.74	144.24	112.78	110.94
North America (672)	140.52					2.64	113.08	107.50	115.81	116.28	96.30	88.29
Europe Ex. UK (691)	111.60	+ 9.9	107,54	116.08	+23.0	4.56	133.83	127.23	120.50	137.65	111.93	119.62
acific Ex. Japan (215)	133.28	+7.0	128.43	120.58	+ 13.0		156.26	148.56	147.24	166.35	141,49	134.09
Norld Ex. US (1863)	154.07	- 1.3	148.47	147.18	+14.7	1.65	148.93	141,59	144.54	155.66	136.98	125.09
Nortd Ex. UK (2106)	147.93	+5.6	142.56	144.84	+16.3	2.01		141.84	144.83	155.92	136.67	125.08
World Ex. So. At. (2352)	148.03	+5.9	142.65	144.82	+17.4	2.18	149.20	129.01	134.19	138.29	114.51	107,97
World Ex. Japan (1957)	135.24	+ 17.9	130.83	134.48	+24.1	3.33	135.71					
he World Index (2412)	148.07	+6.0	142.69	144.75	+ 17.5	2.19	149.24	141.88	144.57	155.89	136.68	124.91

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115,087 (US \$ index), 90.791 (Pound Sterling) and 94,94 (Local); Nordic: Dec 30, 1988 139,65 (US \$ Index), 114.45 (Pound Sterling) and 123,22 (Local).
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Markets closed September 15: Hong Kong and Japan.
CONSTITUENT CHANGE:Deletion:Plessey (UK) (11/9/89).

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EUROPEAN OPTIONS EXCHANGE									BASE LENDING RATES							
										,	%		<u></u> %			7.
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Series	S 360	₩al	Last 9	Vel -	LEST	Vol.	Last 25 a	Stock \$ 355.20	Allied Trest	Bark 1	14	Comm. Bit. it Fast.	14	Hat We	dniester	14
	\$ 360 \$ 400 \$ 440 \$ 380	100 100	0.50 a 24	17	24	103 - -	25a	\$ 355.20 \$ 356.20 \$ 355.20	Allied Irish B Hesry Aesta Associates C	da	14 14 14	Op-operative Bank Contis & Co Crews Popular Sk	14	Horwic	n Back Ltd h Ges. Trest Thanken Linktbe	14 14 6_ 14
			p. 89	De	£ 89	Jan	. 90		Authority (5)	it	И	Durchar Bank PLC	14	Provinc	ial Bank PLC	d. 14 15 14
	F1 295 F1 300 F1 305 F1 315 F1 325 F1 340 F1 315 F1 320 F1 325 F1 325 F1 325 F1 330	271 1047 1032 1118 1611 1402 352 1149 883 1611 413	20.50 15.50 10.50 a 5.20 b 0.10 0.10 0.10 4.80 9.50 b	36 73 414 815 281 141 1053 363 376 136	19 15.20 11 7.80 5.20 a 3.50 1.40 3.30 4.90 7.10 30.50 13.50	220 73 30 15	26 13 6 5 - 10.50	F 316.14 F 316.14 F 316.14 F 316.14 F 316.14 F 316.14 F 316.14 F 316.14 F 316.14	© B & C Merch Bank of Ban Banc Baths Bank Credit Bank of Opp Bank of Freis Bank of Indi Bank of Scot Bangue Belg Bankars Ban Bankars Ban Bankars Ban	oda o Vizcapa ling & Carana sel a lind	14 14 14 14 14 14	Donesar Laurie Equatorial Bank pl Equatorial Bank pl Financial & Gen. & Financial & Gen. & Financial & Gen. & Financial & Gen. & Financial & Gen. & Financial & Gen. & Gen	14½ 14 14 17 18 17 18 18 18 18 18 18 18	Rocher Royal T South & Standar TSB United United United Western	ael & Sons the G'rantee k of Scotland L'Willows Secs. d Clastered Micrael Bank must Bank press Bank from trust Construct Const	145. 14 14 14 14 14 14
			a. 89	Oc	L 89	No	. 89		- Brit Bkof M	M East	4	Heritable & Ges In	Bat. 14	Whiten	nay Laidlaw	_ ji
	FI 345 FI 200 FI 215 FI 225 FI 225 FI 225 FI 225	59 60 248 649 1443 468 188	24.70 9.70 4.70 b 0.30 b 0.05 a 0.60	20 202 205 129 269 130	10.30 b 6.70 3.70 1.70 2 a 3.90	2 20	2.70 h	F7 346.95 F7 225.73 F7 225.73 F7 225.73 F7 225.73 F7 225.73 F7 225.73	Brown Shiple Business Mits CL Bank Hed Charterbouss Citibank NA	eriand	4 4 4 0	Hill Samuel C. Hogre & Co. Hongiong & Skang Leoprid Jeseph & S Lioyris Bank McDonnell Dougla McDonnell Bank Ltd	5005_ 14 14 58ek 14	Bapking Association Sprewise 8 instant acco	ers of Britis & Securiti a. * Deposit 1,5%. Top Tie 12,8% & N	ies Hous now 5.9 er-£10.000 lortgage ba
	F) 45	138	1 10	100	230	33	3.10	FI 44.10	}			Midael Back	14	ratz. § Des 14.25%	uand deposit 91	in. Mortga
P IC P	##105258899442888458655588257745445664986	79 20 383 270 383 270 265 265 265 265 265 265 265 265 265 265	150 0.70 1.50 1.50 0.50 0.20 2.20 0.80 2.20 2.360 1.60 b 1.60 9 52 660 1985 52 141 1976 57 144 138 1337 699 220 1992 7598 426 843 114	3.50 7.10 b 5.70 a 3.50 3.50 3.60 4.50 1.70 1.70 7.60 2.60 4.50 1.70 1.70 1.70 1.70 1.70 1.70 1.70 1.7	20 48210755 133934	9.10 4.60 7 6.20 2.40 2.50 3.60 4.60 2.50 3.60 4.60 2.50 3.60 4.60 3.60 4.60 3.60 3.60 3.60 3.60 3.60 3.60 3.60 3	F1 44.10 F1 44.10 F1 44.10 F1 132.40 F1 132.40 F1 132.50 F1 132.70		- 47		.3. 202 T		LOSINE MANAGEMENT OF THE PROPERTY OF THE PROPE			
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LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

7pm 5pm 54pm 24pm 50 2pm 50pm 74pm

Signa Signa Signa Signa Signa Signa Signa Signa Signa Signa

#281 #5.0 #5.2 13.13

016% K3.75 02.50 20

0.9 3.3 36.2 **北 经路**

Clasing Price £

Closing Price P

1.10 TOTAL VOLUME IN CONTRACTS : 58,952 A=Ask B=Bid C=Call P=Pat

EQUITIES

Pald

Paid Daid

Recurs Date

28/7

22/8

10/7 25/7

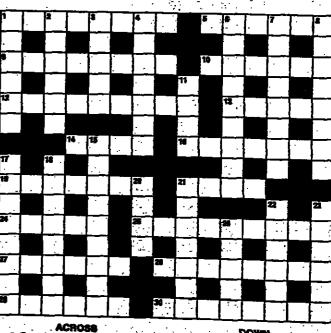
Remon Date

Righ Lan

JOTTER PAD

CROSSWORD

No.7,040 Set by TANTALUS



ACROSS

1 Latvian capital has party

— no going back to dance

(8)
5 Extend a feast (6)
9 Well known member of a pope's household (8)
10 Cycles with friends entertaining journalist (6)
12 Game I lost stupidly by the river (9)
18 Bury together (6)

the free (9)
18 Bury together (5)
14 Fresh pair of horses (4)
16 Mole may turn into a timour (7).
19 26 reply (7)

21 Cirl going to hospital for course (4)
24 After that time, it is wrong going to church (5)
25 Music maker annoyed with invoice (9)
27 Doctor tense seeing mechanical device in water (6)

water (6):
28 He rebels noticing Greek
character always after
money (8)

DOWN Do not accept rubbish (6) Medico in bad weather takes

a risk (6) 3 Leading dealer felt care

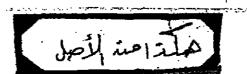
3 Leading dealer feit rare earthenware (5)
4 Love to share this speech (7)
6 Gentle inhabitant becomes chief of state (9).
7 Harsh demand once start of play is on (8)
8 Underworld display causes confusion (8)
11 Time at school for technical expression (4) expression (4)
15 indolent traveller? (9)

17 Campaign right for milita-17 Campaign right for militarist (8)
18 Fishing lures cricketers (8)
20 Some let children dealgn on metal (4)
21 Supply foodstuffs (7)
22 Two soldiers find ancient boat (6)
23 Wine from Irish county to taste first (6)

water (6).
He rebels noticing Greek
character always after
money (8)
Go to tourist centre (6)
Aware, tennis team
played, but not early (8)

Zö Wine from Irish county to
taste first (6)
Zö Quick writer (5)
The solution to last Saturday's
purise puzzle will be published
with names of winners on Saturday September 30.

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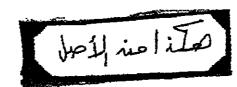
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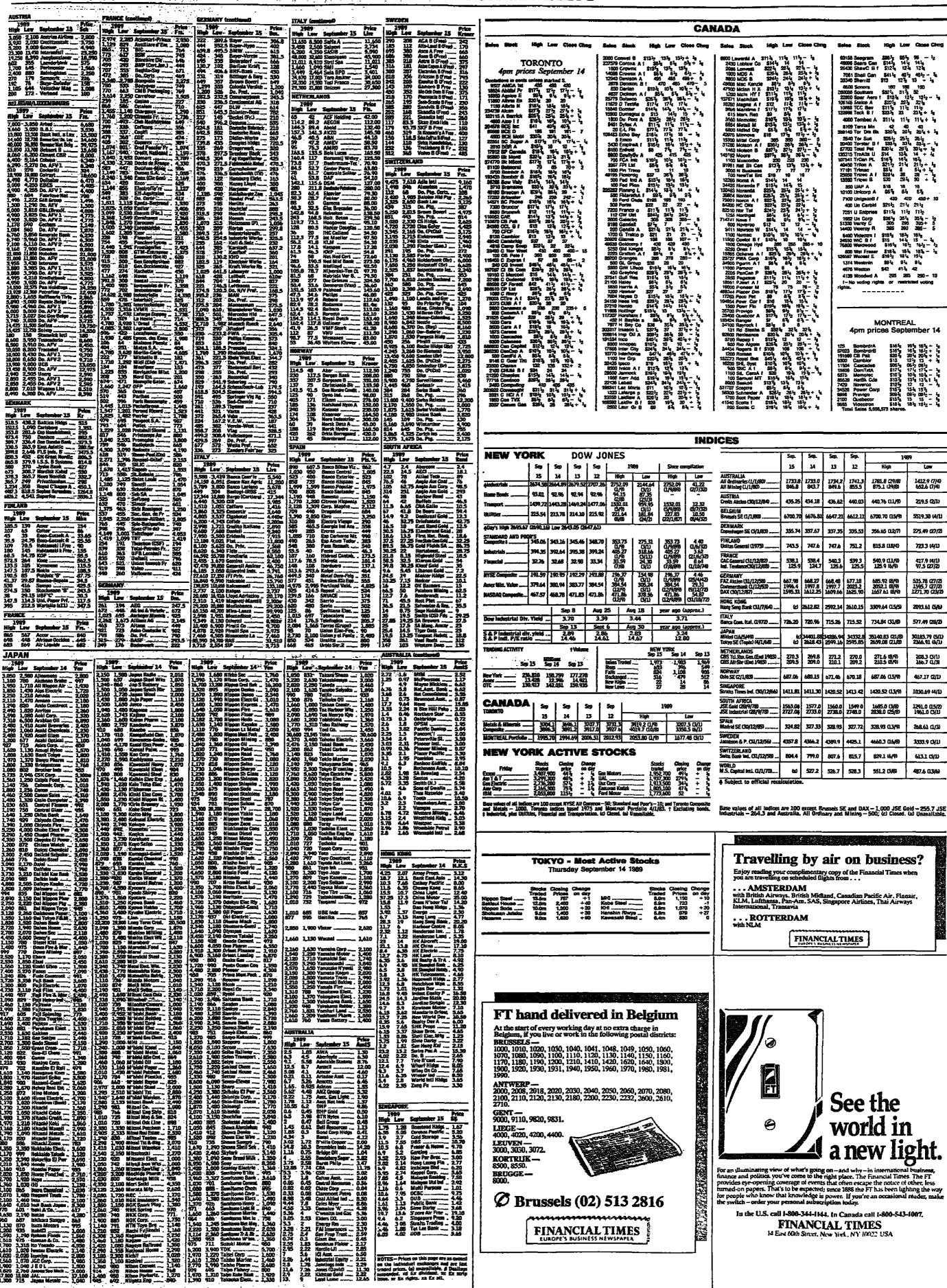
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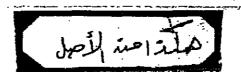
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Reciprocity and the art of the deal

ne by-product of Europe's current binge of cross-border mergers and acquisitions has been to focus attention on the vexed question of take-over reciprocity. British businessmen, eyeity. British businessmen, eyeing the array of bid-proofing
devices sheltering publicly
quoted companies elsewhere in
Europe, have been quick to cry
fonl. Why, they complain,
should continental companies
be free to mount hostile bids against us, when we can't do the same to them?

Unfair this asymmetry may be, but it is unclear how much it really matters in the great race to buy up European industry before 1992. For the British with their open stock market seem to have been more than holding their own against countries where bid-proofing is widespread.

According to 1992 M&A Monthly, a specialist publica-tion, UK acquirers did 30 deals with a disclosed value of Ecu 1.1bn (£740m) in West Germany in the first seven months of this year, dwarfing the six deals worth Ecu 80m by German buyers in Britain. The imbalance in Britain's favour was more pronounced vis-a-vis the Netherlands, also notorious for impenetrable

take-over defences. These figures need to be treated with care. The list may not be definitive, the period covered is quite short, and the pattern can easily be distorted by one or two really big deals. However, there is a deeper point, particularly relevant to Germany.

Hunting ground

Even if there were no bid-proofing there, German stock exchanges would offer relatively limited opportunities for acquisition. Only about 600 companies are quoted on them, a third the number of UK firms listed in London, while their capitalisation is equivalent to only a fifth of gross domestic product, com-pared with more than four-fifths in the UK.

The really rich hunting smaller firms which make up the backbone of the industrial economy. As some UK acquirers have discovered, there is no shortage of owners ready to

Yes, it may be argued, but it is still unfair that German bidders are free to gobble up even the biggest UK firms. Yet in practice they have been con-spicuously reticent about doing so – in Britain or any-where eise. Indeed, 1992 M&A Monthly ranks Germany only eighth among cross-border acquirers in Europe, behind Sweden, Finland and even Japan. There are several apparent

explanations. German industry has little experience with public tender offers, even at home. Furthermore, with a few notable exceptions, such as chemicals, its post-war such as the best here hered. cess has been based predomi-nantly on exports, rather than on multinational manufacturing networks.

Signs of change

When German manufactur-ers have invested abroad, they have often preferred to do so by setting up greenfield plants. Several widely publicised problem acquisitions, such as Thyssen's take-over a decade ago of Budd, the US engineering group, have underlined the risks of buying

a going concern.
None the less, there are cautious signs of change. Volkswagen has taken over Seat, the Spanish carmaker, while Henkel and Benckiser have been buying up household and personal care products companies all over Europe. More recently, Slemens's role in the battle for Plessey is a rare example of a German company mounting a hostile bid abroad, albeit under cover of a local partner. Germany's high labour costs seem likely to keep up the pressure on its industry to shift assets abroad. And, as Mr

Martin Waldenström of management consultants Booz Allen points out, excess capacity and the need to move fast in many sectors is increasingly tilting the balance in favour of "buy" over "build." None the less, it is hard to believe many German companies will view these developments as a licence to start practising abroad rapacious take-over tactics of the kind which they have so long disdained at

THE MONDAY INTERVIEW

The Business The man who let the East Germans go

f the opinions of ordinary Hungarians are anything to go by, Mr Gyula Horn is expected to win a seat in the country's first free elec-

A month ago, such predic-tions would have been impossible. To many Hungarians, Mr

Horn was a relatively unknown quantity.
Today, he, along with his two deputies, Mr Laszlo Kovacs and Mr Ferenc Somogyi, and the Prime Minister, Mr Miklos Nemeth, are well-respected. They are the quartet which decided to allow thou-sands of East Germans unhindered passage out of Hungary to the West.

Such a decision enhanced Mr Horn's reputation greatly. In the view of many Hungarians, he had stood up both for Hungary's interests and for human

rights.
"We had no choice,"
explained Mr Horn on Friday. He appeared to have obtained no sleep over the past week. (Not that he sleeps much anyway. He is up at 5.15 every

morning.)
"There was no other way. Hungary could not afford eco-nomically to keep the East Ger-mans here. Nor could we send

Besides, he adds, Hungary had acted in accordance with its international obligations. Having put its name to the far-reaching Vienna document on human rights last January, it could hardly renege on this commitment — even if it had affected its bilateral relations

with east Germany. He also insists that Hungary's ruling communist party, the Hungarian Socialist Work-

ers' Party, had not been involved in the decision.

"Naturally, we kept them informed. But it was the Government who decided. Not the party." This detail is of impor-tance; it demonstrates the way in which the powers of the communist party and state have become separated in recent months.

This is a noticeable change from the days of the late Mr Janos Kadar. For all the criticism of his policies now heard in Hungary, he had given the central committee's interna-tional department considerable Gyula Horn, Hungary's reform-minded foreign minister, talks to Judy Dempsey

leeway in moving Hungary's foreign policy towards the

During the 1970s and early 1980s, a group of young party members – in fact Mr Horn and his two present deputies – were working at that department. It was there that decisions were made to improve relations with China, Israel, tidy up its human rights record open up contacts with South Korea.

Then, in sharp contrast, just across the Danube, the foreign ministry was a sleepy, conservative institution. Last year,

Mr Horn and his friends moved in to shake it up.

The change has been abrupt.
During the Kadar era, Hungar-ian diplomats automatically sent their memoranda both to the central committee and to the foreign ministry. Since Mr Horn took over as minister last

PERSONAL FILE

1932 Born, Budapest 1946-49 Mechanic at Siemens factory in Budapest 1950-54 Studled economics at Rostov-on-Don, Soviet

1954-59 Hungarian Finance Ministry; later moved to the Foreign Ministry 1961-64 Diplomat in Bulgaria 1963-69 Diplomat in Yugo-

slavia 1969-85 International department at the Central Committee 1985 Elected to Central Com-

1989 Foreign Minister

May, Hungarian diplomats deal only with the Foreign ministry. The international department now deals only with relations with other communist or socialist parties.

The party's representative is no longer present when Mr Horn and his aides are making decisions. And on a personal level, Mr Horn is less formal than Peter Varkonyi, his dull and unimaginative predecessor. Instead of using the formal "maga" (you) with his colleagues, Mr Horn uses the informal "te".

"You would not recognise the ministry pour" one state.

the ministry now," one senior official said. observer recognise the Warsaw Pact, if Mr Horn's ideas ever

came to fruition.
"Look, [one of his favourite expressions], the Warsaw Pact should not concern itself with ideological questions or bilateral relations. It should not deal with concrete political questions among the member countries. Instead, it should focus on military co-operation. But I must say that even here,

ing place. Some of Hungary's allies, especially neighbouring Czechoslovakia, Romania, and East Germany, balk at these ideas, believing they could undermine the basic tenets of socialism and the cohesion of the Warsaw Pact.

qualitatively, changes are tak

Mr Horn is not interested in these criticisms. Except for

"After our decision to allow the East Germans to travel to the West, the Czechoslovak authorities said we were now at a crossroads. Just because they did not like what we are doing, they implied that we would be leaving the Warsaw Pact. This is not true."

Mr Horn is just as quick to defend the interests of Hungary, and for that matter, the Warsaw Pact. "Times are changing. We have to adapt. If we refrain from modernising our mutual relations within the Warsaw Pact, we will be pushed back to the periphery of the world. That would be catastrophic."

Which is why, as a small country tucked in central Europe, Hungary has worked hard and persistently to improve its relations with the West in Mr Horn's view, there is a lot of lost time to catch up

on. . "Serious damage was caused



We had no choice . . . there was no other way

to Europe after 1945. Our tradi-tional links with Europe were broken. Confrontation prevailed over peaceful co-exis-tence." For him, the "common European house," a theme which crops up repeatedly in Mr Gorbachev's foreign policy speeches, is now of crucial

"Look, European countries are inter-dependent. In that sense, we cannot talk of sovereignty. Take the question of the environment. It does not acknowledge any borders. Remember the Chernobyl disaster. We in Europe have to co-operate more." He admits however, that it is

economic co-operation which Hungary is most keenly seeking, given its deteriorating

economy.

It is saddled with a hard currency debt of \$18bn, sluggish productivity and an industrial infrastructure in urgent need of modernisation. Mr Horn hopes that the economic reforms will be enough of an incentive to attract western investors. "They can make profits here," he says. But he knows that more is needed to revive the economy.

Mr Horn would like to see a part of the country's debt con-verted through debt/equity swaps. He would also like to see the European Community reduce its tariffs for Hungarian

day when the EC will develop a cogent policy towards East-

• More cooperation between the EC and Hungary on technological transfer A pan-European environ-mental policy

ian specialists ity of the Hungarian forint, possibly through cooperation

the EC.

ern Europe. In particular, he would advocate:

 An EC programme for education and training of Hungar-● A move towards convertibil-

with the European Investment A free trade agreement with

However attractive these ideas are on paper, what guarantees can there be for anyone

planning to invest in Hungary that Hungary will remain stable after the next elections?
To guarantee continuity in foreign policy. Mr Horn has set up 2 special department at the ministry to hold regular dis-cussions with the main opposi-tion groups which will be

standing in the elections.

There are few real differences" he says. "Remaining in the Warsaw Pact is not an issue. No matter which party assumes power, they all think that there is no other way for Hungary except to go along the present road."

In fact, or detailed are the standing in the elections.

In fact, so detailed are the talks that a recent session between the ministry and the opposition involved a discussion on how Hungary's representative at the United Nations General Assembly should be chosen after a new government

is elected.

He is also confident that if
Mr Gorbachev were to fall. Hungary's present course would continue. "I do not think that things can be reversed to the old Stalinist model, not even in the Soviet Union

But if there is one thing which Mr Horn cannot feel confident about it is next month's party congress, which takes place against a background of deep divisions and pitter disputes about the party's future role.
The reform circles, groups of

liberal party members inspired by Mr imre Pozsgay, a member of the four-man party presid-ium, want the congress to adopt a radical package of economic and political reforms.
Otherwise, they argue, the party will be badly hurt at the elections.

Mr Horn goes further. He wants the anti-reformers ousted. "It would be a tragedy if the party continues to carry anti-reform forces along, as it has done in the past. If the congress does not make this decision, the party will gain no confidence from society. But as for his own future, he

keeps his cards close to his chest. "I just want the best for Hungary." And what would happen if he were not elected to Parliament? "Well, I am a good writer, I am an economist. I don't think I would be out of a job."

Judging society's perception of risk

is always a dangerous write or talk about. Two unconnected events last week, however, aroused such widespread and agitated public discussion that comment on the variety of ways in which, in a modern society, people are at risk of suffering grave harm is inescapable. Dangerousness needs to be put into some

social perspective.

The first event was the revelation of a return by a team of probation officers which was highly critical of a special unit run by the staff at Wormwood Scrubs to deal with sexual

Sex offenders present a dual problem within the prison community. Fellow prisoners define a "sex case" more narrowly than do prison staff. For prisoners, a man who abuses children, an indecent exposer or a homosexual is treated as a

As such, the prison service must provide the sex offender

At the heart of the controversy over dangerous behaviour is the ambiguous notion of justifiable public alarm

with protection from other prisoners while he is in prison. The rapist is classed by prisoners as a sex offender only if his victim was a child, and the term "child" is limited to a pre-pubical girl. Young girls, even of 13 or 14, are regarded outside the ambit of prisoner hostility if they are sexually mature and hence invites sex-

ual assault. Prisoner hostility is associ ated with excessive sentimen-tality with which most prisoners regard children. For prison staff, it is the rapist, not the homosexual or indecent exposer, who presents a social problem on release from

The unit at Wormwood Scrubs was the prison service's brave attempt at addressing the seemingly intractable problem of how to deal with the ave so long disdained at ome.

proclivity of certain serious sexual offenders to re-offend. Short of chemical castration, the prison service has deployed methods of psychotherapy,



JUSTINIAN

with no greater success than such treatment has generally had outside prison. Indeed, the necessary removal of serious sex offenders from ordinary society presents additional problems associated with isolation in total institutions such

as prison.
The public should applaud the efforts of prison, special hospitals (such as Broadmoor) and health service regional secure units to cope with these numerically small but socially worrying serious sexual offend-

ers.

The release of these and other known violent offenders into the community lay behind the public disquiet at the fatal shooting of a senior police offi-cer from the Greater Manches-ter police force.

The officer had been

approaching a known offender with a record of violence and sexual offences and a history of lengthy prison sentences over the last 20 years.

The appalling death of a police officer in performance of his duty to protect the public brought forth claims from the capital punishment lobby for restoration of the death penalty.
The argument that the

knowledge that the hangman's noose exists for such killers would reduce the incidence of murder has surfaced yet again. The regular rejection since 1965 by MPs for a return of the death penalty still fails to deter the proponents of the ultimate penalty from advocating its return, despite its denunciation by every western European country.

There is still no general public acceptance of the argument, which is based on every piece of criminal logical research, that no significant reduction in the prevalence of gravely harmful behaviour is achievable by measures directed solely against individual The response from a rational society to violent human behaviour is, therefore, to pursue broadly based social policies, directed against social practices or other features of the social and material environment which are shown to encourage or promote gravely harmful behaviour. At the heart of the contro-

versy over dangerous behav-lour is the ambiguous notion of justifiable public alarm. What risk must be accepted as the normal conditions of life in our bind of conditions

normal conditions of me in our kind of society?

If there is a really general acceptance of a risk, nobody can be said to be wronged by a failure to remove that risk, though it would be legitimate to try to change people's views on the matter. on the matter.

But if there is a general and genuine alarm and refusal to accept a risk, then complaint by the public for official failure to remove it is justified. Fear of violent crime is a harm in itself, not to be under-rated or dismissed as irrational or mis-

If there is a really general acceptance of a risk, nobody can be said to be wronged by a failure to remove that risk

The essential problem is that there is little objectivity in perceptions of danger. It is a question of what society is prepared to put up with and why, and not simply to what is damag-

ing to them.

Dangers are unacceptable risks. The probability and severity of such harm is a risk. Danger is the point at which the risk become unacceptable and calls for preventive mea-

sures by government. The assessment of when a risk is unacceptable depends on what values society places respectively on general public welfare and individual rights. A society which places a high value on civil liberties is bound to accept greater risks to potential danger than will an authoritarian system of gov-

Public perceptions of risk and the attitudes and values that inform people's judgments of danger will determine what measures society takes.



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